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ABSTRACT

This report presents testimony, along with prepared letters, statements, and supplemental materials, submitted before a House congressional hearing concerned with the reauthorization of the Higher Education Act of 1965 in general, and the integrity and quality of grant and loan assistance for students in particular. The testimony and statements address two problems in the student loan assistance program: (1) the imbalance between grants and loans; and (2) the Department of Education's poor oversight and management of the student assistance program. Specifically, the first problem concerns the fact that loans to students comprise nearly 75% while grants account for the remaining 25% of student aid, a reversal of the way the loan assistance programs were expected to work. The second problem comes from an Office of Management and Budget report, along with one from the Education Department, which concluded that the Department of Education's management practices had contributed to high student loan default rates, and fraud and abuse in the student assistance programs. In addition, it was concluded by the Government Accounting Office that the Department's financial statements were unreliable because the accounting system that the Department is using does not produce accurate information. (GLR)

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OVERSIGHT HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965: CARLISLE, PENNSYLVANIA

ED338166

HEARING

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR

HOUSE OF REPRESENTATIVES

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

HEARING HELD IN CARLISLE, PA, JUNE 3, 1991

Serial No. 102-36

Printed for the use of the Committee on Education and Labor

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CONTENTS

	Page
Hearing held in Carlisle, PA, June 3, 1991	1
Statement of:	
Carroll, Hon. Donald M., Jr., Secretary of Education, Pennsylvania Department of Education, Harrisburg, PA and the Hon. Charles Fuget, Commissioner of Higher Education, Pennsylvania Department of Education, Harrisburg, PA	9
Fritschler, Dr. A. Lee, President, Dickinson College, Carlisle, PA; Dr. Anthony Ceddia, President, Shippensburg University of Pennsylvania, Shippensburg, PA; Dr. John Romano, Campus Executive Officer, Pennsylvania State University, York Campus, York, PA	39
Griswold, Anna, Assistant Vice President for Student Financial Aid, Pennsylvania State University, University Park, PA; John Rebert, Director of Student Financial Aid, Yorktowne Business Institute, York, PA; Ronald Shunk, Director of Financial Aid, Gettysburg College, Gettysburg, PA; Jay W. Evans, Deputy for Loan Division, Pennsylvania Higher Education Assistance Agency, Harrisburg, PA and John Koopman, Vice President, PNC Financial Corporation, Pittsburgh, PA	129
Kroh, Loren, Director, Bradley Academy for the Visual Arts, York, PA; Harold Maley, Director, York Technical Institute, York, PA and Dr. Jim Murphy, Director, Yorktowne Business Institute, York, PA	93
Prepared statements, letters, supplemental materials, et cetera:	
Carroll, Hon. Donald M., Jr., Secretary of Education, Pennsylvania Department of Education, Harrisburg, PA, prepared statement of	12
Ceddia, Dr. Anthony, President, Shippensburg University of Pennsylvania, Shippensburg, PA, prepared statement of	63
Dickenson College, prepared statement of	202
Evans, Jay W., Deputy for Loan Division, Pennsylvania Higher Education Assistance Agency, Harrisburg, PA, prepared statement of	156
Fritschler, Dr. A. Lee, President, Dickinson College, Carlisle, PA, prepared statement of	43
Fuget, Hon. Charles, Commissioner of Higher Education, Pennsylvania Department of Education, Harrisburg, PA, prepared statement of	23
Gaydos, Hon. Joseph M., a Representative in Congress from the State of Pennsylvania, prepared statement of	3
Griswold, Anna, Assistant Vice President for Student Financial Aid, Pennsylvania State University, University Park, PA, prepared statement of	133
Koopman, John, Vice President, PNC Financial Corporation, Pittsburgh, PA, prepared statement of	187
Kroh, Loren, Director, Bradley Academy for the Visual Arts, York, PA, prepared statement of	96
Maley, Harold, Director, York Technical Institute, York, PA, prepared statement of	105
Murphy, Dr. Jim, Director, Yorktowne Business Institute, York, PA, prepared statement of	115
Rebert, John, Director of Student Financial Aid, Yorktowne Business Institute, York, PA, prepared statement of	171
Romano, Dr. John, Campus Executive Officer, Pennsylvania State University, York Campus, York, PA, prepared statement of	70
Shunk, Ronald, Director of Financial Aid, Gettysburg College, Gettysburg, PA, prepared statement of	149
Zuzack, Christine A., Vice President, Pennsylvania Association of Student Financial Aid Administrators, Indiana University of Pennsylvania, prepared statement of	79

HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

MONDAY, JUNE 3, 1991

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
Carlisle, PA.

The subcommittee met, pursuant to call, at 9:45 a.m., in Memorial Hall, Dickinson College, Carlisle, Pennsylvania, Hon. Joseph M. Gaydos presiding.

Members present: Representatives Gaydos, Goodling, Petri, and Gunderson.

Staff present: Thomas R. Wolanin, staff director; Maureen Long, legislative associate/clerk; Jo-Marie St. Martin, education counsel; Rose DiNapoli, professional staff member; and Beth Buehlmann, education coordinator.

Mr. GAYDOS. [presiding] I would like to welcome our guests here and I want to thank the university for allowing us to bring these hearings here to Carlisle. The full committee Chairman, Mr. Ford, from Michigan sends his apologies, he could not be here. In his place, I am to conduct the hearing.

We are very proud of our very active member from this locality, a long time friend, Bill Goodling. I served with his father—and that does not say good or bad for me, but I served with his father many years back and Bill came down in his place. Since coming down, we are very happy to receive a professional. Bill has dealt with and is part of the educational system in this country which has grown to know him. It has been a pleasure serving with Bill and I believe that he has contributed tremendously to the full concept of education.

Allow me on behalf of the committee to introduce the personnel that we have here. On my extreme right we have Mr. Gunderson from Wisconsin. Next to him is Mr. Petri from Wisconsin and of course Mr. Goodling next to me. On my left here we have Mr. Wolanin, who is our general counsel. We have Mr. Asmonga on the left, who is a member of the subcommittee.

With those introductions, let me make just a very brief opening remark and then I will turn it over to Mr. Goodling because this is number one, his area; secondly his specialty and we are here because of him.

Let me, on behalf of the committee, in opening up the formal hearing state that this hearing is one of more than 40 being held in Washington and around the country on the reauthorization of the

Higher Education Act of 1965, which you are all familiar with in general and the integrity and quality of grants and loan assistance.

I have two points I would like to make very, very hurriedly about problems that we do have. The first problem we are all familiar with, I am sure, it affects every student seeking assistance and that is the imbalance between grants and loans—and we all know that.

One other problem that we have—I am concerned personally and I know Bill Goodling is too—that too many students face huge debts once they leave their educational curriculum, tens of thousands of dollars in a lot of instances. If they go to graduate school, the burden is even greater than that.

The second problem of course focuses on the Department of Education's poor oversight and management of these student assistance programs and I am sure some of our witnesses will pointedly bring up some of these.

Without objection from the rest of the committee, I would like to enter into the record the opening remarks and statements and at this time turn to Bill Goodling.

[The prepared statement of Hon. Joseph M. Gaydos follows:]

Opening Statement
Joseph M. Gaydos
Postsecondary Field Hearing
Monday June 3
Dickinson College
Carlisle, PA

This hearing is one of more than 40 that are being held in Washington and around the country on reauthorization of the Higher Education Act of 1965 in general and the integrity and quality of grant and loan assistance for students in particular.

The student assistance programs in this act have been enormously successful and have enabled millions of Americans achieve their educational dreams. But, as we all know, there are several problems that we cannot allow to fester any longer.

In the interest of time, I'll focus my comments on just two of these problems.

First, and perhaps the most tragic of all problems affecting virtually every student seeking assistance, is the imbalance between grants and loans.

This past school year, for example, students received more than 18 billion dollars in educational assistance. Unfortunately, of this 18 billion dollars -- 11 billion was in the form of guaranteed student loans, according to the Department of Education.

When the student assistance programs were created, grants represented about 75 percent of a student's federal assistance package and loans made up the other 25 percent. Today, those

figures have been reversed -- loans comprise about 75 percent of a student's package and grants 25 percent.

This imbalance has put a terrible strain on our nation's students and their families.

Far too many of our students face huge debt burdens -- tens of thousands of dollars -- when they graduate. And, if they go on to graduate school the burden becomes even more staggering.

As bad as this situation is now, the Administration is proposing to make it even worse by eliminating more than 400,000 students from the Pell Grant program. Under this proposal, the most needy students -- those with family incomes less than $10,000 -- would see their grants increase by an average of only $425, while 400,000 students -- many of whom are already relying heavily on loans -- would be forced to take on an even larger amount of debt.

The second problem focuses on the Department of Education's poor oversight and management of the student assistance programs.

In its recent report, the Senate Permanent Subcommittee on Investigations found that "through gross mismanagement, ineptitude, and neglect in carrying out its regulatory and oversight functions, the Department of Education had all but abdicated its responsibility to the students it is supposed to service and the taxpayers whose interests it is charged with protecting."

A review team headed by the Office of Management and

Budget and the Education Department went even further. It concluded that the Department's management practices contribute to high student loan default rates, and fraud and abuse in the student assistance programs.

This fraud and abuse must be eradicated from the programs. Whether the Department achieves this through its regulatory process or Congress achieves it through legislation -- it must be done.

But, it must be done without eliminating educational access and choice to whole categories of students.

One of the most disturbing aspects of the Department's mismanagement is the deplorable condition of its financial records.

In the 25 years since the passage of the Higher Education Act, there has never been an audit of the student loan insurance fund. The General Accounting Office, which is charged with performing the required annual audit, has made numerous attempts to audit the fund but has given up every single time because the records are so terrible.

GAO has made numerous recommendations over the years to correct the Department's financial reporting problems. But the Department's efforts to correct those problems has been largely unsuccessful.

Before abandoning its latest audit attempt, GAO concluded the Department's financial statements are unreliable because the accounting system that the Department is using does not produce accurate information.

The Department of Education Inspector General reached this same conclusion in his report of September 30, 1990. The IG also noted that three of the Department's account balances differ with the balances in its general ledger by as much as 21 billion dollars.

We cannot permit the Department of Education to use out-of-date and unverifiable figures to determine who is in or out of the program. We also cannot allow ourselves to make those most important policy decisions based on numbers generated in an unauditable system.

Somehow we must find a better way to deal with problems in the programs and with the Department's failures.

I hope our witnesses today will have some ideas about these and other elements of the Higher Education Act and how we can improve the system to better serve those students who seek to broaden their horizons through postsecondary education.

Mr. Goodling ...

Mr. GOODLING. Thank you, Mr. Chairman, for being here and for coming early as a matter of fact. Because you thought the hearing began at 9, you were here bright and early. This is the first hearing, I thought I heard you say, that we have ever started early. So that sounds good.

I want to thank my colleagues on this side also for coming to Carlisle, central Pennsylvania. We have hearings scheduled for all over the country and I am particularly pleased to have one here in the 19th Congressional District.

We have a lot of things that we are concerned about as we reauthorize higher education. The integrity of the program of course has come under fire. We have, I believe, about two billion dollars annually that is used to pay for the defaults. I am glad that my State looks pretty good, and your State looks pretty good. I do not know about Wisconsin, I have not checked on that as far as default rates are concerned.

We are also concerned about middle income student access, that is becoming more and more a problem. And my hope during reauthorization is that we can structure the programs to restore some of the former ability that middle income students had to secure a higher education.

And finally, I hope we can deal with the complexity of the programs. I am hearing that there are enough forms to fill out and confusing enough that they are worse than trying to deal with your income tax, which we simplify constantly—at least we say we do that. Every time we simplify them, they become more complex.

So again, Mr. Chairman, thank you for coming. We have two distinguished Pennsylvanians that you are familiar with, who are first on the panel.

Mr. GAYDOS. Thank you.

And let me call on Mr. Petri from the State of Wisconsin, I served on a committee with him where we had the Wright case and a lot of other cases too, so I am very familiar with Mr. Petri, and at this time, I yield the mike to him.

Mr. PETRI. Thank you, Mr. Chairman. I just wanted to say that it is a real pleasure and a privilege for me to have the opportunity to attend a hearing in Bill Goodling's district. I think Steve Gunderson and I feel right at home, coming here to Carlisle today. We thought the farms and the characteristics of the countryside and so on reminded us very much of our areas in Wisconsin, and so does this beautiful college campus. It is older, but it has the same kind of character that Ripon College and Lawrence College and Carroll College have in our areas of Wisconsin.

I am looking forward to the testimony. You have really assembled a distinguished group of university presidents and senior administrators. And I just want to conclude by saying to the people in this area that it has been both a pleasure and a privilege for me to serve with Bill Goodling and under his tutelage. All of the years I have been in Congress, Bill and I have been on the Education and Labor Committee together. He is someone who has a long time interest and grounding in issues involving education, and he provides a great deal of national leadership from his senior post on the Education and Labor Committee.

Mr. GAYDOS. We are also happy to have with us Mr. Gunderson from Wisconsin. I served with him many years on the Subcommittee on Health and Safety. There are three Republicans on this side and I am the only lone Democrat, so I am glad I have friendly Republicans here. Mr. Gunderson.

Mr. GUNDERSON. Thank you, Mr. Chairman. It is just an experience so you know how it feels to be in the minority. We wanted to give you one morning of this.

Mr. GAYDOS. That is how I feel now.

Mr. GUNDERSON. Let me join with you in welcoming everyone to our hearing and saying how delighted we are to be here. I would be remiss if I did not say the reason you have two Wisconsin Congressmen here today is we are the official delegation to welcome Penn State to the big 10.

[Laughter.]

Mr. GUNDERSON. Above and beyond that, however, I have to say we are really here because of Bill Goodling. For those of you who know him well, I take special pride in that he is the only colleague of mine in Congress that for the 11 years I have been there, I have called dad. I am the only one he calls son, which says something—he is referring to my age. I tell people, however, that despite him calling me son, he has yet to give me an allowance and I am waiting for that day to happen.

But Bill Goodling serves a unique role and I want you all to understand that role. Bill Goodling, more than any other member of the Congress or the Senate, is the bridge between a Democratic Congress and a Republican administration on every education issue, whether it be education reform, whether it be higher education, and as you look at the administration proposal on higher education, and compare and contrast that to where I think many on the committee would like to go, it again will fall in Bill Goodling's hands to try to be the bridge-builder between the administration and the Congress, certainly in conference, if not before, as we try to enact a reauthorization.

For me, as I was telling the gentleman from Gettysburg, we had the privilege 4 years ago to come to the Gettysburg campus and I am delighted to be back here in beautiful Pennsylvania.

Enough for opening comments, we are looking forward to the testimony. Thank you, Mr. Chairman.

Mr. GAYDOS. Without objection all of the formal comments will be made part of the record in this matter.

At this time, the Chair is very happy to welcome and call upon panel number one, the Honorable Donald M. Carroll, Jr., Secretary of Education and the Honorable Charles Fuget, Commissioner of Higher Education. Gentlemen, welcome to the committee and you may proceed in the manner you best feel will serve your purposes. Without objection, your prepared statements will be made part of the record and you may proceed in any manner you see fit.

STATEMENTS OF THE HONORABLE DONALD M. CARROLL, JR., SECRETARY OF EDUCATION, PENNSYLVANIA DEPARTMENT OF EDUCATION, HARRISBURG, PENNSYLVANIA AND THE HONORABLE CHARLES FUGET, COMMISSIONER OF HIGHER EDUCATION, PENNSYLVANIA DEPARTMENT OF EDUCATION, HARRISBURG, PENNSYLVANIA

Mr. CARROLL. Thank you, Representative Gaydos, Congressman Goodling and our friends from Wisconsin. We want to welcome you officially to Pennsylvania and we are delighted you chose to have this hearing at this beautiful campus. We also want to make sure that you understand that we also appreciate Bill Goodling, as my Congressman who represents us effectively in the Congress.

I do appreciate the opportunity to testify on the reauthorization of the Higher Education Act of 1965, and in general let me just say I urge its reauthorization with some suggestions that we might make as Dr. Fuget and I go through our testimony.

I would like to talk specifically about several of the titles, not all of them. And the reason that I do not want to comment on all of them; first, it would be boring to you and would take your time up needlessly, but secondly, during the course of this day I am sure they will all be discussed.

But from the Department of Education point of view, we are particularly concerned with such topics as academic libraries, information technology enhancement, institutional and student assistance which Dr. Fuget will speak to directly, educator recruitment, retention and development and innovative programs for community services. So we will focus in on those in general remarks, obviously open to questions when it is over.

First, let me talk about libraries. The administration's proposal to repeal all of Title II says to us that there is no Federal role in library development, particularly academic and research libraries, and I must say to you directly we disagree with this.

We think a revised but not repealed Title II would serve this nation, establish a national policy of library networking and eventually produce a national library system that can be linked electronically and result in great efficiency, specialization and serve our clients better. We need a thoughtful and creative reshaping of Title II. We need a strong national policy which can bring together all the diverse pieces of our library systems, wherever they are, and maximize that energy. Therefore, we are suggesting that in Title II you look carefully at things like networks and consortiums, that you help academic libraries address a major problem for them, and that is the rising cost of materials and the fact that specialization and electronic networking would enable us to keep costs down.

One of the things that I think we miss when we talk about student aid and other things is the fact that it costs a lot to run a college or university, and every penny we put needlessly into some activity is money that will eventually surface in two ways; one, in increased tuition costs and the other is increased demands on all of us in government to provide additional help. So the more efficient we become, we think it is better for all of us.

So we are suggesting to you that as you reshape Title II, you look at the possibility of creating a national system, national network-

ing of libraries, and that the Federal Government can provide both program and financial support for such a policy.

Secondly, let me talk about institutional aid because we believe the Federal Government has a vital role in aiding institutions of higher education. We know that is under debate in many circles, but we think there are three reasons why the Federal Government has a role here. One is to provide national direction to higher education—we are not isolated little fiefdoms, we are in effect part of a national system. The second is to help deserving but disadvantaged institutions remain viable. And finally, to promote institutional planning. We think that this program is cumbersome. If you have read, or as you will hear I am sure, the administration of all of that, you will see that there is a lot of paperwork as Representative Gaydos mentioned. And we think it could be streamlined, but we think it is particularly useful.

I would also like to comment on aid to historically black colleges and universities, because I also see that as somewhat of a controversy, but in Pennsylvania we do not have large numbers of these colleges or universities but I, before becoming Secretary of Education, served as Superintendent of the Harrisburg City School District. Eighty percent of our students were black of Hispanic. A number of them found it more to their advantage to go to traditionally black colleges and universities, often in the south—I am thinking of Howard, Tuskegee, Union, places like that. And what I found was that their education brought them back to our community and brought them back as highly productive citizens. So even though Pennsylvania would not be a major user of that program in the sense of institutions we have, I would encourage you to look at it because it is a national need and one that Pennsylvanians profit from.

In terms of educator recruitment, retention and development, I just will restate the obvious. It is obvious that as times change, as our educational programs become more technical, as we have a higher need to keep kids in school longer, and all of that sort of thing, teachers must have not only a thorough knowledge and current knowledge of where they are, but they also must know how to teach the youngsters that we have today. I have said frequently and will repeat to all of you, even though I know you know it, that the days of Dick and Jane and Spot and Puff are gone. We do not see children coming from that environment into our school systems, they live a very complicated life and teachers need to be particularly sharp in how to deal with that.

So we think this program can help us retrain teachers and create partnerships between school districts, vocational schools and higher education institutions which will improve both the preparation, academic preparation, and teaching skills of elementary and secondary teachers. So we strongly urge that the amount of money in that program, the authorization for that, be increased for fiscal year 1992, and by the way, I will not come here and keep telling you we need more money, we need more money, we need more money. But there are some times when I will suggest that to you, because we do. And this is one area where I think the money will be well-spent.

Also, we are encouraging you to support Part C, which is the professional development and leadership program or create a new one, if you feel you need to, to facilitate the funding of professional development centers. I know that is controversial, but we have found that where we can assimilate specialists in teaching and bring them together with teachers, there are tremendous improvements in that program.

Next, let me talk about innovative projects for community service because Pennsylvania, under the leadership of our new Senator Harris Wofford, has taken tremendous steps to promote volunteerism. It has become almost a plank of Governor Casey and of me and of the State Board of Education, to put community service of some kind into most of our elementary, secondary and higher education programs, and we have provisions for that in this law.

It has been proposed to move the student literacy core from Title I to become a new part of Title X, and we want to support that. We think that that is a good move, it is a program that helps to focus on what idealistic—and by the way we have a lot of idealistic young people—can do in order to support the community. I would just like to tell you two examples we have because it may make you feel better when you look at this to say that this is not money going down a rat hole.

The State has its own literacy core. Our literacy core is on 16 campuses, it has a State appropriation of half a million dollars and more than 1,000 college students tutored nearly 2,500 Pennsylvanians this year. And many of them continue. So we have found that it works.

In addition to that, the Pennsylvania Association of Colleges and Universities has supported, with very small State aid, campus compacts on 38 campuses. And this year, this current year, 1990–1991, over a million hours were donated. Now if you calculate that at five dollars an hour, you have a five million dollar return on a $20,000 State investment. So we think it is not a costly program, but one that will benefit most—a lot of our folks.

We also recommend that the amount authorized to support teacher scholarships and fellowships, particularly the Christa McAuliffe Teacher Fellowship Program and the Paul Douglas Teacher Scholarship Program—the amount authorized be increased.

Now I have not tried to cover everything that would be in this very complex piece of legislation, but to focus on several areas that are of interest to Pennsylvanians. And as I mentioned, others will comment in more detail on other pieces of it.

Our interest, for example, in Title IV, and I have not talked about that, will be presented by Dr. Fuget, the Deputy Secretary and Commissioner for Post-Secondary and Higher Education. And I just want to extend to you, all of you, our offer to be of whatever help we can be in helping you sort this program out and to reflect what is the state of the art in terms of higher education planning.

We thank you for this opportunity to be here and I will ask Dr. Fuget to comment on student aid particularly.

[The prepared statement of Hon. Donald M. Carroll, Jr. follows:]

TESTIMONY ON REAUTHORIZATION

OF THE HIGHER EDUCATION ACT

JUNE 3, 1991

DICKINSON COLLEGE

PRESENTED BY;

SECRETARY DONALD M. CARROLL, JR.

PENNSYLVANIA DEPARTMENT OF EDUCATION

CHAIRMAN FORD, REPRESENTATIVE GOODLING AND DISTINGUISHED MEMBERS OF THE HOUSE SUBCOMMITTEE ON POSTSECONDARY EDUCATION, I AM DONALD CARROLL, SECRETARY OF EDUCATION FOR THE COMMONWEALTH OF PENNSYLVANIA. WITH ME IS MY DEPUTY SECRETARY AND COMMISSIONER FOR POST SECONDARY AND HIGHER EDUCATION, DR. CHARLES FUGET. I COMMEND THE SUBCOMMITTEE FOR ITS ATTENTION TO THIS IMPORTANT ISSUE; THE CHAIRMAN, FOR HIS INTEREST AND INITIATIVE TO HOLD HEARINGS ACROSS THE COUNTRY; AND CONGRESSMAN GOODLING, FOR HIS CONTINUOUS SUPPORT AND LEADERSHIP IN EDUCATION, BOTH NATIONALLY AND HERE IN PENNSYLVANIA. I APPRECIATE THIS OPPORTUNITY TO TESTIFY ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965, AS AMENDED.

I URGE ITS REAUTHORIZATION SO THAT WE, IN THE TRUE SENSE OF FEDERALISM, CAN HELP OUR STUDENTS MEET THE MANY CHALLENGES THAT ARE AHEAD.

IN GENERAL, WE FOCUS OUR ATTENTION ON ACADEMIC LIBRARIES AND INFORMATION TECHNOLOGY ENHANCEMENT; INSTITUTIONAL AND STUDENT ASSISTANCE; EDUCATOR RECRUITMENT, RETENTION AND DEVELOPMENT, AND INNOVATIVE PROJECTS FOR COMMUNITY SERVICES. THIS ATTENTION IS NOT BECAUSE OTHER TOPICS ARE NOT IMPORTANT BUT WE FEEL THEY WILL BE COVERED BY OTHERS TESTIFYING HERE TODAY.

ACADEMIC LIBRARY AND INFORMATION TECHNOLOGY ENHANCEMENT

THE ADMINISTRATION'S PROPOSAL TO REPEAL ALL OF TITLE II IMPLIES A BELIEF THAT THERE IS NO ROLE FOR THE FEDERAL GOVERNMENT IN ACADEMIC AND RESEARCH LIBRARIES. WE DISAGREE WITH THIS. WE BELIEVE THE FEDERAL ROLE IS TO LEAD SUCH LIBRARIES INTO NETWORKS AND CONSORTIA WHICH PROMOTE THE SHARING OF MATERIALS AND THEREBY PERMIT INDIVIDUAL LIBRARIES TO SPECIALIZE AS EACH BUILDS ITS COLLECTION. THE SHARING OF RESOURCES COMBINED WITH SPECIALIZATION WOULD REDUCE COSTS SINCE LIBRARIES IN NETWORKS AND CONSORTIA COULD AVOID PURCHASING DUPLICATIVE MATERIALS.

A REVISED, NOT REPEALED, TITLE II COULD SET A NATIONAL POLICY OF LIBRARY NETWORKING WITH AN ULTIMATE GOAL OF A NATIONAL NETWORK OF LIBRARIES LINKED ELECTRONICALLY. TITLE II ALREADY HAS THE VITAL ELEMENTS FOR SUCH A NATIONAL POLICY: PARTS A AND C SPEAK TO IMPROVING COLLECTIONS IN ACADEMIC RESEARCH LIBRARIES, WHILE PART D SPEAKS TO TECHNOLOGY AND COOPERATIVE SYSTEMS. WHAT IS NEEDED IS A CREATIVE AND THOUGHTFUL RESHAPING OF TITLE II INTO A STRONG NATIONAL POLICY WHICH STIMULATES A SYNERGY AMONG THE EXISTING PARTS. FOR EXAMPLE, PARTS A, B, AND D COULD BE MERGED TO SUPPORT THE USE OF TECHNOLOGY AMONG EVER WIDENING NETWORKS AND CONSORTIA WHOSE MEMBERS COOPERATIVELY PLAN THE DEVELOPMENT AND MAINTENANCE OF THEIR INDIVIDUAL COLLECTIONS FOR THE MUTUAL BENEFIT OF ALL. THESE NETWORKS AND CONSORTIA WOULD, AMONG OTHER THINGS, HELP ACADEMIC AND RESEARCH LIBRARIES ADDRESS A DILEMMA NOW FACING MOST OF THEM -- A DILEMMA OF DIMINISHING DOLLARS COUPLED WITH INCREASED NUMBERS OF CLIENTS WHO NEED ACCESS TO EXPENSIVE ITEMS SUCH AS SCHOLARLY SERIALS AND FOREIGN MATERIALS.

TO BE MOST EFFECTIVE AND EFFICIENT, SUCH NETWORKS AND CONSORTIA SHOULD NOT STOP AT THE BORDERS OF EACH STATE. RATHER, THEY SHOULD EXTEND BEYOND STATE BORDERS AND, EVENTUALLY, ENCOMPASS THE NATION. BUT A NATIONAL NETWORK NEEDS THE LEADERSHIP AND FINANCIAL SUPPORT OF A NATIONAL POLICY, AND THAT POLICY SHOULD ENSURE THAT ACADEMIC INSTITUTIONS, INCLUDING THEIR LIBRARIES, PARTICIPATE IN THE PROPOSED NATIONAL RESEARCH AND EDUCATION NETWORK. WE URGE THE ESTABLISHMENT OF A NATIONAL POLICY THROUGH TITLE II.

INSTITUTIONAL AID

WE BELIEVE THE FEDERAL GOVERNMENT HAS A VITAL ROLE IN AIDING INSTITUTIONS OF HIGHER EDUCATION. FEDERAL AID PROVIDES SEVERAL ADVANTAGES. ONE IS TO ASSIST IN PROVIDING NATIONAL DIRECTION TO HIGHER EDUCATION. ANOTHER IS TO ASSIST DESERVING, BUT DISADVANTAGED, INSTITUTIONS TO REMAIN VIABLE. A FINAL ADVANTAGE IS TO PROMOTE INSTITUTIONAL PLANNING. WE BELIEVE THIS PROGRAM SHOULD CONTINUE AND ITS MANAGEMENT BE STREAMLINED TO REMOVE UNNEEDED ADMINISTRATIVE BARRIERS. WE ALSO ENCOURAGE CONTINUING AID TO HISTORICALLY BLACK COLLEGES AND UNIVERSITIES.

EDUCATOR RECRUITMENT, RETENTION AND DEVELOPMENT.

THE NEW PROGRAM PROPOSED BY THE ADMINISTRATION, "PARTNERSHIPS FOR INNOVATIVE TEACHER EDUCATION,' PROVIDES A MEANS TO IMPROVE TEACHING AND THE PROFESSIONAL DEVELOPMENT OF TEACHERS. IT IS OBVIOUS, IN ORDER TO ACHIEVE THE NATIONAL EDUCATION GOALS, THAT TEACHERS MUST HAVE A THOROUGH UNDERSTANDING OF THE SUBJECT MATTER THEY TEACH, AS WELL AS THE KNOWLEDGE AND SKILLS REQUIRED

TO ENABLE A DIVERSE POPULATION OF STUDENTS TO LEARN IT. TEACHERS MUST HELP ALL STUDENTS BECOME CRITICAL THINKERS AND SELF-DIRECTED LEARNERS. THIS PROGRAM WOULD ENCOURAGE PARTNERSHIPS BETWEEN LOCAL EDUCATION AGENCIES AND INSTITUTIONS OF HIGHER EDUCATION TO IMPROVE THE PREPARATION OF ELEMENTARY AND SECONDARY TEACHERS AND THEIR ABILITY TO WORK EFFECTIVELY WITH THE CHANGING STUDENT POPULATION. PROGRAMS MUST BE AVAILABLE THAT ENHANCE TEACHER RECRUITMENT AND RETENTION AND PROMOTE GREATER DIVERSITY IN THE TEACHING FORCE. WE WOULD STRONGLY URGE THAT THE AMOUNT AUTHORIZED FOR APPROPRIATION IN FISCAL YEAR 1992 BE INCREASED SUBSTANTIALLY TO PROVIDE THE NEEDED FUNDS TO SUPPORT THE PROFESSIONAL DEVELOPMENT OF TEACHERS AS WELL AS THE ACTIVITIES NORMALLY SUPPORTED BY THE "MID-CAREER TEACHER TRAINING FOR NON-TRADITIONAL STUDENTS" AND "SCHOOL, COLLEGE, AND UNIVERSITY PARTNERSHIPS."

THE ADMINISTRATION HAS RECOMMENDED THAT PART C - PROFESSIONAL DEVELOPMENT AND LEADERSHIP PROGRAMS - BE REPEALED IN THE REAUTHORIZATION. MUCH CURRENT RESEARCH CLEARLY RECOGNIZES THE VALUE OF PROFESSIONAL DEVELOPMENT CENTERS IN SUPPORT OF IN-SERVICE EDUCATION PROGRAMS DESIGNED TO ENABLE OUR TEACHING FORCE TO RESPOND TO CHANGES IN THE STRUCTURE, ORGANIZATION AND MANAGEMENT OF ELEMENTARY AND SECONDARY SCHOOLS. I ENCOURAGE CONTINUED SUPPORT FOR PART C - PROFESSIONAL DEVELOPMENT AND LEADERSHIP PROGRAMS - OR A NEW PROGRAM TO FACILITATE THE FUNDING OF PROFESSIONAL DEVELOPMENT CENTERS.

INNOVATIVE PROJECTS FOR COMMUNITY SERVICE

THE GOVERNOR, STATE BOARD OF EDUCATION AND I, HAVE RESOLVED THAT COMMUNITY SERVICE BECOME AN INTEGRAL PART OF EDUCATION AT ALL LEVELS AND URGE THAT COLLEGES INTEGRATE COMMUNITY SERVICE INTO THEIR PROGRAMS.

IT HAS BEEN PROPOSED TO MOVE THE STUDENT LITERACY CORPS FROM TITLE I TO BECOME A NEW PART OF TITLE X, PART C - INNOVATIVE PROJECTS FOR COMMUNITY SERVICES. WE SUPPORT THIS MOVE.

WE BELIEVE THAT COMMUNITY SERVICE OFFERS A RICH SOURCE OF EXPERIENCE FOR REFLECTION AND AN OPPORTUNITY TO MOBILIZE STUDENTS TO SOLVE SOCIAL PROBLEMS. WE ENCOURAGE YOUR CAREFUL CONSIDERATION OF OPPORTUNITIES TO SUPPORT AND ENCOURAGE COMMUNITY SERVICE IN THIS LEGISLATION. WE BELIEVE THAT YOU WILL CONCLUDE, AS WE HAVE IN PENNSYLVANIA, THAT COMMUNITY SERVICE IS A DYNAMIC AND EXCITING PART OF THE HIGHER EDUCATION PICTURE.

LET ME TELL YOU SOME OF THE THINGS WE ARE DOING IN PENNSYLVANIA:

- THE STATE HAS ITS OWN LITERACY CORPS WHICH FUNCTIONS ON 16 CAMPUSES WITH A STATE APPROPRIATION OF $500,000. THROUGH IT AND THE 14 CAMPUSES IN THE FEDERAL LITERACY CORPS, MORE THAN 1,000 COLLEGE STUDENTS TUTORED NEARLY 2,500 PENNSYLVANIANS THIS YEAR. MORE THAN 1/3 OF ALL THESE STUDENTS CONTINUED TUTORING AFTER THEIR SERVICE IN THE CORPS WAS COMPLETED.
- THE PENNSYLVANIA ASSOCIATION OF COLLEGES AND UNIVERSITIES SPONSORS A STATE CAMPUS COMPACT WHICH

OPERATES ON 38 CAMPUSES. THE STATE PROVIDED SEED MONEY FOR THE FIRST TWO YEARS. CAMPUS COMPACT NOW HAS ITS OWN GRANT AND TRAINING FUNDS. IN 1989-90, STUDENTS ON CAMPUS COMPACT CAMPUSES DONATED 515,000 HOURS OF COMMUNITY SERVICE; IN 1990-91 OVER 1,000,000 HOURS WERE DONATED. CALCULATED AT A VERY CONSERVATIVE $5.00 PER HOUR, THIS $5,000,000 IS AN EXTRAORDINARY RETURN ON A $20,000 STATE INVESTMENT.

WE BELIEVE THAT WE HAVE JUST SCRATCHED THE SURFACE OF THE POTENTIAL OF COMMUNITY SERVICE AS A MEANS OF REJUVENATING EDUCATION AND MOBILIZING LARGE NUMBERS OF COLLEGE STUDENTS TO SOLVE SIGNIFICANT SOCIAL PROBLEMS, BUT WE NEED FEDERAL HELP.

WE ALSO RECOMMEND THAT THE AMOUNT AUTHORIZED FOR FISCAL YEAR 1992 TO SUPPORT PART D - TEACHER SCHOLARSHIPS AND FELLOWSHIPS - BE INCREASED TO PROVIDE ADDITIONAL SUPPORT FOR THE CHRISTA MCAULIFFE TEACHER FELLOWSHIP PROGRAM AND THE PAUL DOUGLAS TEACHER SCHOLARSHIPS.

AS I HAVE SAID, IT HAS NOT BEEN MY INTENTION TO PROVIDE AN INCLUSIVE OR COMPREHENSIVE REVIEW OF ALL THE ISSUES ASSOCIATED WITH THE REAUTHORIZATION, BUT TO FOCUS UPON SEVERAL AREAS OF HIGHEST INTEREST TO THE COMMONWEALTH OF PENNSYLVANIA. YOU MAY HAVE NOTICED THAT I HAVE NOT MENTIONED TITLE IV. THAT IS BECAUSE THE COMMONWEALTH'S INTEREST IN TITLE IV WILL BE PRESENTED BY THE NEXT SPEAKER, CHARLES FUGET, DEPUTY SECRETARY AND OUR COMMISSIONER FOR POST-SECONDARY AND HIGHER EDUCATION.

WE WILL BE HAPPY TO CONTINUE TO WORK WITH THE COMMITTEE STAFF IN AN EFFORT TO PROVIDE ADDITIONAL INFORMATION, IF NECESSARY, ABOUT THE PARTICULAR ISSUES THAT WE HAVE IDENTIFIED TODAY. WE APPRECIATE THE OPPORTUNITY THAT HAS BEEN PROVIDED TO US TO PRESENT THIS TESTIMONY ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT.

DR. FUGET.

Mr. FUGET. Thank you very much, Chairman Gaydos, Representative Goodling and our distinguished members from Wisconsin who are now a part of the Pennsylvania scene in terms of the big 10. I really appreciate the opportunity to testify before the subcommittee and the fact that the subcommittee is so concerned at providing the opportunity for representatives from higher education to comment on the reauthorization of the Higher Education Act of 1965.

I would like to try to focus my remarks, as Secretary Carroll did, on just some very specific aspects of the Act and to comment upon them.

Title IV is a very important title in terms of student assistance and I would like to endorse the suggestion that there be an increase in the dollar limit available under the Pell Grant to $3,700. But I would like to also caution the subcommittee as you look at that, that it can create some adverse problems in some States. Because of the very specific income limits that are associated with that authorization, it will provide a difficulty in terms of meeting the needs of middle income families and can place increasing pressure upon the State financial aid organization that we have here in Pennsylvania, and may create some problems for us as we try to assist students from families with more of a middle income level.

I think that everyone is well aware of the changes that have taken place in terms of the increase in family income, the increase in college and university costs and the rather minor increase that is taking place in terms of the financial aid that is available from Federal sources.

As more and more of the costs for postsecondary education is going to be shifted to families and to States, it becomes increasingly important that as we talk about the reauthorization, we do everything that we can to make sure that we can marry the contributions available from States with the contribution available from the Federal Government so that we maximize the assistance to the students who have the truest need and do not do something that would arbitrarily deny an opportunity for the State to add their dollars to the Federal dollars in a way in which we maximize that kind of student aid and student loan.

If we were to look at very specific aspects of Title IV, there are several that I would like to suggest that there be modifications or at least a rethinking. In terms of the student ranking requirement, we find that the proposal to support only those students who rank in the top 90 percent of their college class annually would be a disservice to some students who come from disadvantaged backgrounds. In many cases, their high school background or the high school opportunities may make it very difficult for them to meet the 90 percent category. The current requirement that the students demonstrate satisfactory progress, I feel is a much safer approach in terms of funding the students who have disadvantaged backgrounds and would eliminate the fear that they may have that not being able to maintain a ranking in the top 90 percent would cause them to find need to increase their loan capacity rather than to seek grant aid, would be another barrier that would discourage them from trying postsecondary education.

A portion of the reauthorization speaks to a change in the State Student Incentive Grant program to require that the institutions

provide a greater percentage of the dollars for that particular program in terms of the match, and in fact it even suggests that it is no longer necessary to support SSIG and that it has accomplished its mission by encouraging the States to provide matching dollars. We feel that there are over 212,000 students who currently benefit from SSIG awards and we do not feel that eliminating this award program would encourage States to continue their support for those students. So we would encourage you to really rethink that because we really feel that it is a significant factor in terms of participation from some States to support student grants.

The Perkins Loan and Income-Contingent Loan Programs are supposed to be self-sufficient under the proposed administration reauthorization. We feel that the loss of the capital contributions from Federal sources in 1992-1993 would mean that within our State, State university students would lose over 40 percent of their Perkins loan dollars, or about $1.6 million. And that if we were to look at community college students, they would lose roughly 90 percent of their Perkins loan dollars or about one half a million dollars, so that currently one out of every five Pennsylvania recipients would lose their Perkins awards if the Federal capital contributions were eliminated from the program.

In the case of the College Work Study Program as well as in the case of the Supplemental Educational Opportunity Grants, the administration proposal would increase the contributions from institutions to support those two programs. The College Work Study would require an increase of roughly 20 percent, from 30 percent to 50 percent, as the contribution from the institution. For the public institutions in Pennsylvania, the Pennsylvania Higher Education Assistance Agency, our State grant agency, provides those matching dollars for public institutions.

The increase in the requirement from 30 percent to 50 percent would really require either of two things, either the public grant agency would have to divert State dollars to supplement the college work study funds for the public institutions or to ask the public institutions to find, out of institutional aid, an increased contribution to meet that increasing match. We feel that in either case, we would either deny access to other students if we were to use institutional grant funds to meet an increasing match, or we would find that the amount of the award given to individuals would decrease. We feel in either case that that is a negative in terms of its impact upon student aid that would be available to students here in Pennsylvania. But we would really suggest that there be a rethinking of that, because we find that in Pennsylvania, we view college work study awards as a very important part of student assistance on the college and university campuses and we feel that if we were to go along with the changes that are being recommended, we would reduce the amount of dollars that would be available or erode institutional dollars from other sources.

In terms of the SEOG, we have the same kind of concerns in terms of the increase in the match and in Pennsylvania, we feel that it would actually require that the institutional contribution be multiplied by a factor of four.

Another part of the reauthorization would be to address the concern of the granting agency improvement. One of these would be to

place the full faith and commitment of the State behind the grant agency. Pennsylvania law would prevent Pennsylvania from doing that for the Pennsylvania Higher Education Assistance Agency and would require that the only way that they could meet the modification that is being proposed would be to increase the insurance that would be available, which would pass on the cost of that guarantee to the students and their families, and again would tend to increase the cost of grants or the cost of a loan and would reduce the amount of money that would be made available to meet the student's aid arrangement. We think that the risk sharing proposals that are being presented by the administration, with the exception of the one that was asking the State to stand behind the grant agency, are proposals that will increase the ability of the agencies to recover the dollars and to make sure that we reduce the amount of default. In some cases, the proposals are already in place in Pennsylvania and we have been implementing those particular changes with our Pennsylvania Higher Education Assistance Agency. But we do think that those modifications will do a lot to reduce the risk and eliminate or minimize default and possibly, without the inclusion of a State guarantee, do much of what you were really requesting.

I would like to speak for a moment on Title VII, the construction, reconstruction and renovation of academic facilities. I think it is important to recognize that many of the academic facilities on college and university campuses are suffering from deferred maintenance, are suffering from the inability to modernize and from the difficulty that institutions are having to try to acquire the more modern equipment that is necessary if we are, as a nation, to become first in science and mathematics. It is impossible to really try to train adequately young people in the fields of science and in mathematics without exposing them to the facilities and the equipment that is going to be state-of-the-art and will be available to them if they move into an industrial or business position. And we feel that it is going to be important that we not only use the resources from the private and public colleges and universities, and assistance from the States. There is also an important role to be played by the Federal Government to assist us in trying to maintain the caliber of equipment and facilities on college and university campuses that is going to be necessary if we are going to achieve our goal of being first as a nation in those areas of science and mathematics.

And then finally, I would like to encourage the support for Title IX, graduate programs. As the reauthorization bill is trying to focus and to group a number of graduate programs into Title IX, I would like to encourage the committee to consider very seriously that the appropriation that is authorized be of sufficient size that we can actually fund the various categories of graduate programs that are being proposed. We see Title IX as a means of trying to provide opportunities for women and minorities that are often under-represented historically in certain critical areas, to have access to those areas. And we would encourage Title IX as a means of providing the potential for educating young people, women and minorities, to provide the faculties of the future that are going to be necessary to really deal with a diverse college and university

student population, to provide the role models and the encouragement that those young people are going to need if they are going to be successful and if they are going to select the academic disciplines that historically have been denied them in terms of their access in these particular areas.

Again, as the Secretary indicated, it is not our intent to try to cover in a comprehensive way all of the various categories of the reauthorization bill. We hope that as you continue through the hearing process and as you work with some of the suggestions that we have made and others will be making to you, that we would be willing to try to provide additional information and to be of assistance to you and your staff as we consider the various issues that we feel are very important as you look at the Higher Education reauthorization.

I appreciate the opportunity to present this testimony and certainly would stand willing, with the Secretary, to respond to any questions that you might have. Thank you very much.

[The prepared statement of Hon. Charles Fuget follows:]

WRITTEN TESTIMONY ON REAUTHORIZATION

OF THE HIGHER EDUCATION ACT

JUNE 3, 1991

DICKINSON COLLEGE

PRESENTED BY:

DR. CHARLES R. FUGET
COMMISSIONER FOR HIGHER EDUCATION
PENNSYLVANIA DEPARTMENT OF EDUCATION

CHAIRMAN FORD, REPRESENTATIVE GOODLING AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE ON POSTSECONDARY EDUCATION, I AM CHARLES FUGET, COMMISSIONER FOR HIGHER EDUCATION OF THE PENNSYLVANIA DEPARTMENT OF EDUCATION. I WELCOME THE SUBCOMMITTEE TO THE COMMONWEALTH AND APPRECIATE EFFORTS OF THE SUBCOMMITTEE FOR ITS ATTENTION TO THE IMPORTANT ISSUES FACING HIGHER EDUCATION. CHAIRMAN FORD HAS INDICATED CLEARLY HIS INTEREST IN THESE ISSUES BY HIS INITIATIVE TO HOLD HEARINGS ACROSS THE COUNTRY. CONGRESSMAN GOODLING HAS CONTINUALLY ILLUSTRATED HIS SUPPORT AND DEMONSTRATED HIS LEADERSHIP IN EDUCATION, NATIONALLY AND IN PENNSYLVANIA. I APPRECIATE THIS OPPORTUNITY TO TESTIFY ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965, AS AMENDED.

I WILL FOCUS MY REMARKS ON SOME ADDITIONAL PROGRAMS THAT ARE IMPORTANT TO PENNSYLVANIANS.

THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT, UNDER TITLE IV - STUDENT

ASSISTANCE, PROVIDES AN OPPORTUNITY TO AUTHORIZE FEDERAL STUDENT AID TO IMPROVE ACCESS AND INSTITUTIONAL QUALITY. A BROAD GOAL MAY BE A FEDERAL/STATE PARTNERSHIP TO ACHIEVE ACCESS TO QUALITY INSTITUTIONS, TO SUPPORT THE MOST NEEDY STUDENTS AND TO IMPROVE THE EFFECTIVENESS AND PUBLIC ACCOUNTABILITY OF POSTSECONDARY INSTITUTIONS. FOR THE PAST DECADE, A TREND IN STUDENT AID HAS BEEN TO TRANSFER MORE OF THE POST-SECONDARY EDUCATION COSTS TO STUDENTS AND THEIR FAMILIES. ANOTHER TENDENCY HAS BEEN TO TRANSFER MORE COST OF FUNDING STUDENT AID PROGRAMS TO STATES, POSTSECONDARY INSTITUTIONS AND THE PRIVATE SECTOR.

IT ONLY TAKES A MOMENT TO REVIEW THE DATA TO DEMONSTRATE THAT SIGNIFICANT TRANSFERENCE ALREADY HAS OCCURRED. SINCE 1981-82, THE COSTS OF ATTENDING COLLEGE HAVE MORE THAN DOUBLED. DURING THIS SAME TIME, TOTAL AID FOR POSTSECONDARY STUDENTS FROM ALL FEDERAL PROGRAMS GREW BY ONLY 36 PERCENT. TITLE IV PROGRAM DOLLARS, THOSE WHICH ARE GENERALLY AVAILABLE TO THE MOST STUDENTS, GREW BY NEARLY 70 PERCENT. FEDERAL GRANT DOLLARS (PELL GRANTS, SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS AND STATE STUDENT INCENTIVE GRANTS) GREW BY 82 PERCENT, WITH PELL GRANT DOLLARS NEARLY DOUBLING, AN INCREASE OF 92 PERCENT. HOWEVER, WELL OVER HALF THE INCREASE IN PELL GRANT DOLLARS TO POSTSECONDARY STUDENTS WENT TO THOSE ATTENDING PROPRIETARY BUSINESS, TRADE AND TECHNICAL SCHOOLS RATHER THAN COLLEGES. AGGREGATE PELL GRANT DOLLARS TO COLLEGE STUDENTS GREW BY UNDER 45 PERCENT SINCE 1981-82.

THEREFORE, FEDERAL AID THAT IS GENERALLY AVAILABLE TO MOST STUDENTS AND FEDERAL GRANT AID THAT IS MOST EFFECTIVE IN HELPING STUDENTS GAIN ACCESS TO EDUCATION, DID NOT KEEP PACE WITH THE COST STUDENTS HAD TO PAY TO ENROLL IN COLLEGES AND UNIVERSITIES.

THIS SITUATION IS EXACERBATED BY THE FACT THAT FAMILY INCOMES SINCE 1981-82 HAVE INCREASED BY ONLY 54 PERCENT. THUS COSTS DOUBLED, GENERALLY AVAILABLE FEDERAL AID INCREASED BY ONLY TWO-THIRDS, AND FAMILY INCOMES BY ONLY HALF, LEAVING STUDENTS AND THEIR FAMILIES WITH A GREATLY REDUCED ABILITY TO AFFORD POSTSECONDARY EDUCATION.

THE STATES HAVE TRIED TO MAKE UP FOR SOME OF THE RELATIVE LOSSES OF FEDERAL AID, MORE THAN DOUBLING THEIR AGGREGATE GRANT DOLLAR AWARDS SINCE 1981-82. AT THE SAME TIME, INSTITUTIONS HAVE INCREASED THE AMOUNTS OF AID THEY AWARD STUDENTS FROM THEIR OWN RESOURCES BY ALMOST THREE TIMES THE AMOUNTS THEY AWARDED IN 1981-82. IN THAT YEAR, 17 PERCENT OF STUDENT AID FROM ALL SOURCES CAME FROM STATES AND INSTITUTIONS. IN 1989-90, THE MOST RECENT YEAR FOR WHICH COMPLETE DATA ARE AVAILABLE, 27 PERCENT OF STUDENT AID FROM ALL SOURCES CAME FROM STATES AND INSTITUTIONS. CLEARLY THE LOWER RATE OF GROWTH IN FEDERAL AID HAS TRANSFERRED MORE OF THE TOTAL BURDEN OF PROVIDING STUDENT AID DOLLARS FROM THE FEDERAL GOVERNMENT TO OTHERS IN THE FINANCIAL AID

PARTNERSHIP. EQUALLY AS CLEARLY, MORE OF THE TOTAL COSTS HAVE BEEN TRANSFERRED TO STUDENTS AND THEIR FAMILIES.

STUDENT RANKING REQUIREMENT

THIS BUDGETARY PROPOSAL REQUIRES POSTSECONDARY STUDENTS TO RANK IN THE TOP 90 PERCENT OF THEIR CLASSES TO CONTINUE TO REMAIN ELIGIBLE FOR TITLE IV ASSISTANCE. THIS PROPOSAL REPRESENTS A DEPARTURE FROM THE CURRENT POLICY OF ALLOWING INSTITUTIONS TO DETERMINE WHEN AID RECIPIENTS ARE MAKING "SATISFACTORY ACADEMIC PROGRESS" AND WHEN TO CONTINUE TO ASSIST THEM. CURRENT REGULATIONS REGARDING "SATISFACTORY ACADEMIC PROGRESS" ARE WORKING QUITE WELL. THERE IS NO NEED TO CUT AID RECIPIENTS FROM FEDERAL PROGRAMS. MANY OF THOSE WHO WOULD BE CUT WOULD BE MINORITY/POVERTY STUDENTS WHO WERE ADMITTED WITH SEVERE FINANCIAL, ACADEMIC AND SOCIAL HANDICAPS WHICH THEIR INSTITUTIONS ARE HELPING THEM TO OVERCOME.

THIS PROPOSAL, IF IMPLEMENTED, WOULD DIMINISH AID PROGRAMS' ABILITY TO ACHIEVE ONE OF THE THREE BASIC GOALS OF FINANCIAL AID, ENHANCING RETENTION IN POSTSECONDARY EDUCATION. MOREOVER, THE PROPOSAL IS VERY LIKELY TO DIMINISH ABILITY TO ACHIEVE ANOTHER BASIC FINANCIAL AID GOAL, ACCESS TO POSTSECONDARY EDUCATION, BECAUSE THE MOST EDUCATIONALLY HANDICAPPED STUDENTS WILL BE CONCERNED THAT THEY WOULD HAVE TO MEET HIGHER ACADEMIC STANDARDS IN ORDER TO REMAIN IN COLLEGE.

CURRENTLY MANY MINORITY/POVERTY STUDENTS ARE RELUCTANT TO SEEK POST-SECONDARY EDUCATION BECAUSE THEY MUST ACCEPT LOANS TO PAY FOR ITS COSTS AND ARE CONCERNED ABOUT THEIR ABILITY TO SUCCEED AND BECOME ABLE TO REPAY THE LOANS. ADDING ANOTHER BARRIER WILL VERY LIKELY FURTHER DISCOURAGE THEM FROM EVEN TRYING TO ENROLL.

STATE STUDENT INCENTIVE GRANT PROGRAM (SSIG)

IN THE ADMINISTRATION'S PROPOSED REAUTHORIZATION, SSIG PROGRAM FUNDS WOULD BE LOST ENTIRELY. IT IS ARGUED THAT THE SSIG PROGRAM "LONG AGO ACCOMPLISHED ITS OBJECTIVE OF STIMULATING ALL STATES TO ESTABLISH NEED BASED GRANT PROGRAMS." HOWEVER, OVER 212,000 STUDENTS NATIONWIDE BENEFIT FROM SSIG AWARDS. IT IS REASONABLE TO PREDICT THAT RESCINDING SSIG FUNDING MAY CAUSE SOME STATES TO CUT THEIR FUNDING ENTIRELY. FEDERAL FUNDS ARE NECESSARY AS AN INCENTIVE TO STATES TO PROVIDE NEED BASED GRANT AID.

PERKINS LOAN AND INCOME-CONTINGENT LOAN PROGRAMS

THE ASSERTION THAT COLLECTIONS FROM PRIOR LOANS ARE SUFFICIENT TO SUPPORT THE PERKINS LOAN PROGRAM MAY GENERALLY BE TRUE, BUT NOT FOR ALL INSTITUTIONS IN PENNSYLVANIA. LOSS OF FEDERAL CAPITAL CONTRIBUTIONS IN 1992-93 WOULD MEAN THAT STATE UNIVERSITY STUDENTS WOULD LOSE OVER 40 PERCENT OF THEIR PERKINS LOAN DOLLARS, ABOUT $1.6 MILLION. COMMUNITY COLLEGE STUDENTS WOULD LOSE NEARLY

90 PERCENT OF THEIR PERKINS LOAN DOLLARS, ABOUT A HALF MILLION. ALMOST ONE OUT OF EVERY FIVE PENNSYLVANIA RECIPIENTS WOULD LOSE HIS OR HER PERKINS AWARD IF FEDERAL CAPITAL CONTRIBUTIONS WERE ELIMINATED FROM THE PROGRAM.

COLLEGE WORK-STUDY PROGRAM (CWSP)

THE REAUTHORIZATION PROPOSES A 33 PERCENT CUT IN FEDERAL FUNDS FOR THE COLLEGE WORK-STUDY PROGRAM (CWSP), BUT IT PROJECTS ONLY A 9.2 PERCENT LOSS OF TOTAL WORK-STUDY FUNDS TO STUDENTS, BECAUSE IT PROPOSES TO RAISE THE CURRENT INSTITUTIONAL MATCHING REQUIREMENT FROM 30 TO 50 PERCENT. INSTITUTIONS WOULD BE ASKED TO MATCH THEIR 1992-93 CWSP ALLOCATIONS ON A DOLLAR-FOR-DOLLAR BASIS.

TO RECEIVE $20.2 MILLION IN CWSP ALLOCATIONS IN 1991-93, FOR AN AWARD TOTAL OF $40.4 MILLION, THE COMMONWEALTH AND ITS INSTITUTIONS WOULD HAVE TO INCREASE THEIR FUNDS DEVOTED TO WORK-STUDY MATCHING PURPOSES BY 92 PERCENT, FROM $10.5 MILLION TO $20.2 MILLION. BUT BY ALMOST DOUBLING STATE AND INSTITUTIONAL EXPENDITURES FOR WORK-STUDY FUNDS, PENNSYLVANIA STUDENTS WOULD HAVE FEWER TOTAL CWSP DOLLARS IN 1992-93 THAN IN 1991-92, $40.4 MILLION VERSUS $43.3 MILLION. THIS IS A PERFECT EXAMPLE OF THE BUDGETARY INTENT TO TRANSFER COSTS OF FUNDING STUDENT AID PROGRAMS FROM THE FEDERAL GOVERNMENT TO THE STATES AND INSTITUTIONS.

MEETING THE DEMAND FOR INCREASED INSTITUTIONAL MATCHING FUNDS WOULD REQUIRE COLLEGES AND UNIVERSITIES TO EITHER REDISTRIBUTE CURRENTLY AVAILABLE RESOURCES FOR FINANCIAL AID FROM OTHER INSTITUTIONAL AID RECIPIENTS AND/OR TO INCREASE THE AMOUNTS OF INSTITUTIONAL FUNDS AWARDED TO ALL STUDENTS. IF INSTITUTIONS CHOOSE THE FORMER ALTERNATIVE, OTHER STUDENTS WILL LOSE ACCESS TO AID. IF THEY CHOOSE THE LATTER ALTERNATIVE, THEY WILL HAVE TO RAISE THEIR TUITIONS TO PRODUCE THE ADDITIONAL NEEDED REVENUE, THUS CAUSING COSTS TO ALL STUDENTS, NON-NEEDY AS WELL AS NEEDY CHSP RECIPIENTS, TO RISE. INCREASED COSTS WILL, IN TURN, ABSORB OTHER FEDERAL AND STATE FINANCIAL AID RESOURCES AS FINANCIAL NEED INCREASES.

PENNSYLVANIA INSTITUTIONS HAVE ALWAYS VIEWED THE COLLEGE WORK-STUDY AWARD AS A CRITICAL COMPONENT OF THE STUDENT AID PACKAGE. RECENTLY, EARNINGS FROM WORK-STUDY JOBS HAVE BEEN PROMOTED AS EFFECTIVE RESOURCES TO PREVENT EXCESSIVE STUDENT BORROWING WHILE GIVING STUDENTS A CAREER-RELATED WORK EXPERIENCE. INADEQUATE WORK-STUDY FUNDS WILL RESULT IN FEWER STUDENTS GAINING THE ON-THE-JOB EXPERIENCE WHICH OPENS THE DOOR TO EMPLOYMENT AND ENHANCES THEIR ABILITY TO REPAY STUDENT LOANS.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (SEOG)

THE REAUTHORIZATION PROPOSES RAISING THE INSTITUTIONAL MATCHING REQUIREMENT IN THE SEOG FROM THE CURRENT 15 PERCENT TO 50 PERCENT IN 1992. IN ORDER TO RECEIVE $29.56 MILLION IN FEDERAL SEOG ALLOCATIONS IN 1991-92, PENNSYLVANIA INSTITUTIONS WILL HAVE TO PROVIDE $4.43 MILLION IN MATCHING FUNDS. HOWEVER, TO RECEIVE AN ESTIMATED $19.72 MILLION ALLOCATION IN 1992-93, INSTITUTIONS WILL BE REQUIRED TO MATCH THIS AMOUNT DOLLAR FOR DOLLAR, WHICH MEANS THEY WILL HAVE TO QUADRUPLE THE ANNUAL INSTITUTIONAL RESOURCES THEY MAKE AVAILABLE TO SEOG RECIPIENTS.

THE INCREASED MATCHING REQUIREMENT FOR THE SEOG WOULD HAVE THE SAME EFFECTS ON INSTITUTIONS AS THE INCREASED MATCHING REQUIREMENT FOR THE CWSP. INSTITUTIONS WOULD HAVE TO REDISTRIBUTE CURRENT FINANCIAL AID RESOURCES AND/OR RAISE ADDITIONAL FINANCIAL AID REVENUES BY INCREASING TUITION. EITHER ACTION WOULD PRODUCE NEGATIVE EFFECTS. HERE, AGAIN, IS AN EXAMPLE OF ATTEMPTING TO TRANSFER THE COSTS OF PROVIDING STUDENT AID FROM THE FEDERAL GOVERNMENT TO SOME OTHER PARTY, IN THIS CASE, INSTITUTIONS.

GUARANTEE AGENCY IMPROVEMENTS

THE "RISK SHARING" PROPOSAL TO REQUIRE STATES TO "BACK A DESIGNATED GUARANTEE AGENCY WITH THE FULL FAITH AND CREDIT OF THE STATE OR SUBJECT THE SCHOOLS LICENSED IN THEIR STATE TO A RISK-BASED PREMIUM ASSESSES BY THE DEPARTMENT OF EDUCATION TO COVER THE

OBLIGATIONS THAT WOULD NOT BE MET BY THE STATE" PRESENTS SEVERE PROBLEMS FOR US AND, WE SUSPECT, MANY OTHERS. PENNSYLVANIA LAW CURRENTLY PROHIBITS GIVING FULL FAITH AND CREDIT TO PHEAA, THE PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY, WHICH IS THE STUDENT LOAN AGENCY IN THE COMMONWEALTH. WE SUSPECT THAT LAWS IN OTHER STATES PROHIBIT GIVING FULL FAITH AND CREDIT TO PRIVATE GUARANTEE AGENCIES FUNCTIONING THEREIN. IF THIS PROPOSAL IS IMPLEMENTED AND PHEAA IS NOT GIVEN THE COMMONWEALTH'S FULL FAITH AND CREDIT BACKING, IT WOULD MEAN THAT GREATER INSURANCE PREMIUMS WOULD HAVE TO BE CHARGED TO STUDENT BORROWERS, AND POSTSECONDARY INSTITUTIONS WHOSE STUDENTS HAVE A HIGHER-THAN-AVERAGE DEFAULT RATE WOULD HAVE TO BE CHARGED FEES TO PARTICIPATE IN THE PROGRAM. THIS WOULD RESULT IN INCREASED COSTS TO STUDENTS AND WOULD RESULT IN SEVERE RESTRICTIONS IN STUDENT ACCESS TO LOANS, AS MANY SCHOOLS WOULD BE UNWILLING OR UNABLE TO AFFORD THE COSTS OF SUCH FEES.

IF THE OTHER "RISK SHARING" PROPOSALS WERE IMPLEMENTED, AND THE PROPOSED "GUARANTEE AGENCY IMPROVEMENTS" CAN BE IMPLEMENTED WITHOUT UNNECESSARILY INCREASING AGENCY ADMINISTRATIVE BURDENS AND COSTS, WE SEE NO REASON TO REQUIRE THE FULL FAITH AND CREDIT BACKING OF THE STATES.

TITLE VII - CONSTRUCTION, RECONSTRUCTION AND RENOVATION OF ACADEMIC FACILITIES

I STRONGLY URGE THE COMMITTEE TO CONSIDER AUTHORIZING AN APPROPRIATION FOR FISCAL YEAR 1992 TO SUPPORT THIS TITLE. COLLEGES AND UNIVERSITIES HAVE BEEN UNABLE TO MEET THE INCREASING NEEDS OF NEW ACADEMIC FACILITIES OR TO PROVIDE THE RESOURCES TO PERMIT THE RENOVATION AND/OR REMODELING OF EXISTING FACILITIES. IN ORDER TO MEET THE NATIONAL GOAL TO BE FIRST IN SCIENCE AND MATHEMATICS, IT IS NECESSARY THAT WE PROVIDE OUR POSTSECONDARY INSTITUTIONS WITH THE FACILITIES AND RESOURCES NECESSARY TO TRAIN AND RETRAIN TEACHERS AND OTHERS ENTERING THE WORKFORCE IN THE FIELDS OF SCIENCE AND MATHEMATICS. THE AMOUNT OF DEFERRED MAINTENANCE ON MOST COLLEGE AND UNIVERSITY CAMPUSES AS WELL AS THE OUTMODED ACADEMIC LIBRARY FACILITIES, MAKES IT DESIRABLE FOR THE FEDERAL GOVERNMENT TO JOIN WITH THE STATES AND ACADEMIC INSTITUTIONS IN SUPPORTING CONSTRUCTION AND RENOVATION PROJECTS. THE TREMENDOUS COSTS INVOLVED IN UPDATING ACADEMIC FACILITIES AS WELL AS THE VALUE TO ECONOMIC DEVELOPMENT ENCOURAGES THE DEVELOPMENT OF PARTNERSHIPS IN ORDER TO SUPPORT THIS TITLE.

TITLE IX - GRADUATE PROGRAMS

THIS TITLE PROVIDES FELLOWSHIPS FOR STUDY IN THE ARTS AND HUMANITIES, AND IN AREAS OF NATIONAL NEED, SUCH AS MATHEMATICS AND SCIENCES. I URGE THE COMMITTEE TO SUPPORT THIS TITLE AND TO ASSURE THAT SUFFICIENT FUNDS ARE APPROPRIATED

TO SUPPORT GRADUATE OPPORTUNITIES FOR MINORITIES AND WOMEN IN FIELDS IN WHICH THEY ARE HISTORICALLY UNDERREPRESENTED. THE LEVEL OF FUNDING SHOULD BE SUFFICIENT TO ENABLE INSTITUTIONS OF HIGHER EDUCATION TO ACTIVELY RECRUIT UNDERREPRESENTED GROUPS IN ACADEMIC DISCIPLINES EXPERIENCING CRITICAL NEEDS FOR FACULTY POSITIONS IN THE FUTURE. THIS TITLE, ALONG WITH SUPPORT FOR STATES AND PRIVATE INSTITUTIONS TO PROVIDE SCHOLARSHIP AID TARGETED TO MINORITY STUDENTS, WOULD DO MUCH TO INCREASE THE PARTICIPATION OF MINORITIES IN POSTSECONDARY EDUCATION.

THE PENNSYLVANIA DEPARTMENT OF EDUCATION WILL CONTINUE TO REVIEW AND MONITOR THE PROGRESS OF THE HIGHER EDUCATION REAUTHORIZATION ACT IN THE COMING MONTHS. IT HAS NOT BEEN MY INTENTION TO PROVIDE AN INCLUSIVE OR COMPREHENSIVE REVIEW OF ALL OF THE ISSUES ASSOCIATED WITH THE REAUTHORIZATION, BUT TO FOCUS UPON SEVERAL AREAS OF HIGHEST INTEREST TO THE COMMONWEALTH OF PENNSYLVANIA. WE WOULD BE HAPPY TO CONTINUE TO WORK WITH THE COMMITTEE STAFF IN AN EFFORT TO PROVIDE ADDITIONAL INFORMATION, IF NECESSARY, ABOUT THE PARTICULAR ISSUES THAT WE HAVE IDENTIFIED HERE TODAY. WE APPRECIATE THE OPPORTUNITY THAT HAS BEEN PROVIDED TO US TO PRESENT THIS TESTIMONY ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT.

Mr. GAYDOS. Thank you very much and I will recognize Mr. Goodling for purposes of asking any questions he may have.

Mr. GOODLING. I have just a couple, Mr. Secretary. You talked about the need to be trained or have a training program. If you were going to design a program, where would you focus your resources for teacher training?

Mr. CARROLL. In Pennsylvania, the responsibility for establishing standards rests with the State Board of Education. The Department of Education serves as their staff and we are beginning comprehensive review of teacher education. First, we think the responsibility, at least initially, to get people started, rests with the colleges and universities that prepare them. In Pennsylvania we still issue, in effect, a beginning certificate to the graduates of those programs. But as our review proceeds, we see a need to stretch this process out to incorporate partnerships with basic education institutions to use terms and programs like induction, mentoring, and not grant permanent certificates quite so quickly as we have in the past.

So I would see (a) aid to colleges and universities, but (b) also then to account for that postsecondary side or postgraduate side that I am talking about, the elementary and secondary piece, in regional organizations or others who could create development centers that would help meet that part of the obligation. It could be in a school district, it could be a Pennsylvania intermediate unit, it could be lots of different places, but we see that we cannot draw that line so neatly between a 4 year college education that includes a student teaching her clinical experience and what happens in the first say, 5 years of a teacher's practice. And so we are looking at redesigning our program approval standards. It is inevitable that there are some colleges and universities who will fall out as a result of that if we apply them fairly and aggressively. Not everyone is committed to preparing teachers or has the ability to do it, but we want the best. So we have recruitment sides to get youngsters interested in education. We have strengthening of colleges and universities to prepare at least the opener, if you will. And we see a partnership between basic and higher education once a teacher has started and before they are locked into something called lifetime certification.

I guess where I would start—sounds like I would start everywhere, Congressman, but I know you cannot do that. So I think I would start looking at the recruitment side of it and I think I would start to look at what happens after the student is a college graduate.

Mr. GOODLING. I told the Chairman before that I did not know how much we could deal with higher education in relation to training and retraining teachers, but if there is anything we can do to cause change, I would hope we would do it. I suggest you might look at the bill I introduced last week hoping it will get some recognition by the committee as we go through this process because I think we need to do a lot in relationship to partnerships—and set up sort of a "LEAD" program for teachers.

Mr. CARROLL. We have a lead program also, 4,000 teachers have completed that program and at the least, it has improved their teaching skills, but at the best, it has enabled them to transport

those to other members of their faculty. So while we have some mixed success with that, we like that idea, we are continuing to fund it with a State appropriation of—I think this year about four million dollars for our piece of it, but we have waiting lists. We could handle another 4,000 teachers every year. So it is an expanding program, it is a good idea.

Mr. GOODLING. Commissioner, the new Secretary I believe has backed away from the 90 percent; however, I have a lot of concern when we throw out phrases like "ability to benefit," "maintaining satisfactory progress" and so on because I am not sure what that means from one institution to the next, if it means anything. So I guess my question to you would be should not the States have a greater role in dealing with the default problem, for instance since States are responsible for licensing the institutions.

Mr. FUGET. Well I think when you start thinking of default, often people look at the proprietary sector as being the sector that has the maximum problem. We seem to be fairly fortunate in Pennsylvania in that we do have a process that involves a license approval procedure for a proprietary institution that appears to have stabilized the institutions so that we do not have a rapid turnover in institutions and we do not appear to have the obvious concerns that seem to have been a part of some other sectors or other regions of the country.

I think that there would be some advantage to possibly mandating that the States possibly play a more active role in terms of the license procedure, tie that more closely to reviewing the status of the institution in terms of the ability of students to both benefit from the educational process, that there is an educational process that leads to placement and that there are jobs available so that the students have the opportunity through their income to repay the loans that they have received.

Some of those modifications are in effect, I think possibly some more have to be placed in effect. Some of the reauthorization language would include some steps that would make it less convenient for an institution to attempt to just recruit anyone off the street and assume that they can benefit in terms of their financial bottom line, whether or not they provide an education to the student. There are some delays in terms of reimbursement and some other characteristics that would tend to mandate that the students do more.

The language of either "successful progress" or "ability to benefit" has some pluses and minuses. It would seem that in some cases, some of the programs that we are talking about would require a certain educational ability in order for a student to successfully complete the program. So that the ability to benefit may have some measurable indicators or measurement instruments that might be possible. It is difficult with open-enrollment institutions to require that students who may be looking almost for a GED and some of the other literacy advantages would be denied that opportunity up front because they would not demonstrate some of the key indicators that might be used for a specific vocational or college transfer program. Successful progress does vary from institution to institution but should be closely tied to graduation requirements and the ability of a student in a very fixed period of time to

meet those graduation requirements and actually to secure a degree or a certification. So hopefully we can translate that into some measurement.

Mr. CARROLL. Let me comment also that we are re-examining completely our licensing standards, or particularly—I am talking about proprietary schools. We plan to get tough with those and tough in our administration of them and we will shortly introduce legislation that will permit, will develop a system of self-insurance so that if a proprietary school goes out of business, the student will be guaranteed from the self-insurance pool funds to carry out the promises that were made by the institution before it went belly up, if you will. So there are some things that we are trying to do on the proprietary side.

But on satisfactory progress, as you know, institutional autonomy is one of the strengths of our higher education system and we have—maybe I have a little more confidence than you in their ability and maybe I am putting words in your mouth, but their ability to judge that. And the important thing is that they graduate with necessary skills and abilities, and institutions working directly with kids, I think we should say—and adults—we think should be in charge of that.

Mr. GOODLING. No further questions.

Mr. GAYDOS. Just one question on this proprietary school, you mentioned a crackdown, would there be a general crackdown on all schools?

Mr. CARROLL. We are going to have to do it in phases, but yes, we are going to set the new standards, we have private boards who deal with the standards. We are going to be encouraging them to toughen up and at that point our staff deals with the application of those standards. We already have some excellent experience because if you will look at the record, our veterans training schools have, for the most part, been very reliable and very solid. That has not been a national experience, I know, so you know, we think we are in a position to move on. And by the way, we are getting a lot of support from those proprietary schools. Most of them want this, they want to be able to say they have met high standards and so we are not anticipating problems with it, but yes—and again, the consequence will be some will shut down.

Mr. GAYDOS. On the questioning of licensing, Commissioner, which you have a lot to do with, how many licenses have you refused in say the last 4 or 5 years—a substantial number, a few?

Mr. CARROLL. In terms of the proprietaries, I would say that it is not a substantial number. In many cases, some of that is self-selection, a school will choose not to apply for relicensing. Their license I think is a 2 year license, so that there is an automatic renewal process, and over a period of time the total number of institutions that are licensed as a part of the private licensed schools, has reduced somewhat and we are looking at a further reduction as there is an adjustment being made in that entire sector, where institutions that see themselves as not being able to fulfill their commitment or its not being profitable, self-select up. But I would say there have been a limited number in which there has been a decision or an action by the State that would have initiated a refusal

on the part of that. There have been a number of investigations that have resulted in some changes.

Mr. GAYDOS. Mr. Petri.

Mr. PETRI. Thank you.

I guess there are lots of questions, but we have limited time, so I will restrict myself to one. That is how to improve the Federal Government's ability to deal with the student default problem in the student loan program. This campus, according to the President's testimony to follow, has a default rate of .5 of 1 percent with 371 graduates who are paying back loans. If that were the national average, there would not be a problem. The program would be a great success.

Do you have any ideas at all as to what changes we can make to bring more campuses into line with this one? Would it make sense, for example, to require, as we do with small business loans, that when the bank makes a guaranteed loan, the Federal Government guarantees 90 percent, but the bank has to take a loss if the loan is not repaid—to have the colleges co-sign the loans in effect, and get a bonus if they have less than some percentage of loss and have to pay back if they have a higher percentage? The university seems to be, or the college seems to be in a better position to evaluate the individual, and also to keep track of the individual because it is interested usually in getting some alumnae contributions down the road. So if we could put our interests in line with yours, we might get a better repayment rate than we do now.

But in any event, if those are impractical ideas, let me know; if you have any others, I would certainly appreciate hearing them today or before we actually write the bill. We want to deal with this problem in a way that preserves access to student loans, but cuts way back on the default rate.

Mr. FUGET. Some of the suggestions that are being advanced in terms of the risk sharing with guarantee agencies moves in a direction that is already part of the Pennsylvania action. And I am sure that later testimony today would address some of the items that the Pennsylvania Higher Education Assistance Agency has in place, the ability for attachment of wages, processes in which there is issues of default that can be moved very quickly by the agency so that we are able to fairly quickly—the agency is able to fairly quickly try to follow up on the number of loan programs that they are responsible for here in Pennsylvania.

I am not sure that trying to move that all down to the level of the college or university would be an effective way because it would really require, in some cases, excessive personnel and additional staff that might be necessary in order to do the kind of follow up that I think to some extent the Higher Education Assistance Agency in the Commonwealth is doing. But I think that some of the risk sharing proposals that are a part of the reauthorization bill go a long way to using some of the tactics and some of the procedures that are being used in Pennsylvania so that the overall default rate in Pennsylvania is very low. And on some of the campuses where the additional counseling and separation counseling that takes place as students graduate or leave the campus, goes a long way in encouraging students to accept their responsibility to fulfill the commitments they made when they initially had the loan. And

I think that some of that is not present in some other regions of the country.

Mr. GAYDOS. Mr. Gunderson.

Mr. GUNDERSON. Thank you, Mr. Chairman. I too, in the interest of time, will only ask one question, but I think it is a question that is helpful as we are in the field rather than in Washington listening to all the association representatives.

I do not think that there is any doubt that everybody here supports increased funding for higher education. Part of the reason for that is that we are trying to respond to the expanding role of higher education in the 21st century work force in training and retraining. The problem that we have is that we cannot keep up.

Dr. Fuget, by your own testimony, Title IV program dollars during the decade of the 1980s grew nearly 70 percent and yet we lost ground because the cost of higher education more than doubled. How do we deal with that? I mean we are well above and beyond the rate of inflation in terms of increased Federal dollars and yet we are falling behind. And so we are not using our dollars for expanded programs, we are just trying to keep up with colleges' increased tuition.

Mr. CARROLL. I would just like to say we too have been wrestling with that. I put on the table for discussion some, what others consider very bizarre, notions and so I would not want to bring them up in front of you but maybe we could talk privately about productivity, efficiency, drop-out rates and all of that sort of thing that seems to be applied to basic education rather comfortably but not to higher education.

I see too many of my friends behind me here, so maybe I ought to be more discreet and to say to you it is an issue, it is worse in medical care and I think you all are aware of that. How we get a handle on these escalating costs is going to be one of the challenges—and it is not of the decade, it is of the next 2 to 3 years. If not, it is going to be runaway. We are going to create two societies as far as education is concerned; the wealthy who can say wherever I want to go and the poor that we help. And the middle class will lose. There is no easy answer to it. Chuck will not propose that we ask college professors to teach 21 or more credits per semester or anything like that, although one of the problems we have, and I know many of the presidents in the room are aware of it, we in effect make a deal with a student. We say you come to our university, you study, say computer science, here is your program. And then frequently in the junior year or even earlier, we say we cannot offer that course for a lot of reasons, and we put these students in the bind of rearranging their lives to come back either in the summer, or go to another institution. There are problems like that all around. We are pretty effective in Pennsylvania in minimizing that, but it does happen.

I think a lot of it has to do with productivity and efficiency and I wish I could wave a wand and tell you, Congressman, but I cannot do it.

Mr. GAYDOS. The Chair feels moved to lift the restriction one question. Because the one question brings around four or five. So you can ask as many questions as you want, no limitation.

Mr. Wolanin, our counsel, do you have any questions?

Mr. WOLANIN. No, thank you, Mr. Chairman.

Mr. GAYDOS. No questions. On behalf of the committee, I want to thank the panel and I want to assure the panel that attention will be directed to what you have said in your written testimony. I want you to know that the other members that cannot be here will have an opportunity to review it in depth and give it the recognition it deserves.

The Chair now calls panel number two; President Fritschler of Dickinson College right here and President Ceddia, Shippensburg University President and Dr. John Romano from Pennsylvania State University. Welcome, gentlemen, and between the three, you can make a determination who is going to start off.

STATEMENTS OF DR. A. LEE FRITSCHLER, PRESIDENT, DICKINSON COLLEGE, CARLISLE, PENNSYLVANIA; DR. ANTHONY CEDDIA, PRESIDENT, SHIPPENSBURG UNIVERSITY OF PENNSYLVANIA, SHIPPENSBURG, PENNSYLVANIA; DR. JOHN ROMANO, CAMPUS EXECUTIVE OFFICER, PENNSYLVANIA STATE UNIVERSITY, YORK CAMPUS, YORK, PENNSYLVANIA

Dr. FRITSCHLER. Since I am the home team, maybe I will, Mr. Chairman.

Mr. Chairman and members of the committee, let me begin by saying how pleased I am that you are here on our campus. We are delighted to be able to host this hearing and have the opportunity to say something about the reauthorization of the Higher Education Act.

I want to say that Dickinson is an old independent liberal arts college founded in 1773, about 2,000 students, a budget of about $50 million and 60 percent of our students receive financial aid, $12 million of our $50 million budget is directed directly back to students in financial aid.

I wanted to take just one moment to introduce the college to you because I think it is very important to recognize that in this country there are many types and sizes of academic institutions; public, private, large, small, specializing in various things. And I believe one of the real tricks, one of the real challenges in writing public policy is to come up with a policy somehow that fits all of those institutions. And I would be the first to admit that this is a very daunting task.

I want to talk to you about two or three things that really concern me. The first two are access and choice. Starting with access, it seems to me that over the past couple of decades in this country, and thanks to the assistance of governments, this country has pretty successfully dealt with the access question. That is, there are colleges and universities available to almost everyone. So access to a college education, thanks to the programs that have been put in place, is pretty secure in the United States today. Schools like this one have done their part. We, for example, give those $12 million worth of scholarship funds on need blind admissions. We do not give one dime to any student on a merit basis, we do not give money because someone can play soccer well, can sing well, can play the flute well or do anything very well. All of our aid is given on the basis of need. And I think schools that have

done that have enhanced access in the United States. My concern with schools like Dickinson in this respect is that we continue, we can continue to give financial assistance to anyone who applies and give that assistance strictly on the basis of need. We have been successful over the years in doing that, but now costs and resources have really challenged us to be able to continue that.

The second area of my concern is choice. I would like to see a system where qualified students could, if they wanted to, select a school like Dickinson to attend. This is getting to be increasingly difficult and is, I believe, the main source of my concern. I indicated a minute ago that there are many types of institutions in the United States. We feel we offer something special in this type of institution, which is worth continuing and worth making available to students who qualify. For example, we have a very low student/faculty ratio, something in the area of 12-to-1. We have an enormously high graduation rate. In the past couple of years it has been I believe the highest in the country, 85 percent of our students graduate in 4 years. We have serious students here who are also serious about repaying their loans. Congressman Petri mentioned a few moments ago that in our school, .5 percent is our default rate. That is very low, de minimis and we are very pleased with that.

Also given our independent status and our size, we are able to innovate in some areas, in science teaching for example, in overseas education, we now have six overseas centers which we are supporting here at Dickinson. And by the way, I will soon get off this college, but I want to tell you we are also very proud that in this year's graduating class, we graduated 20 percent—let me put this the other way around, I'm too germanic in this. This year, 20 percent of the students who graduated from Dickinson majored in a foreign language. We find that to be incredible and very important, given the kind of future which faces us in the United States. So to be able to graduate a class of nearly 20 percent majoring in foreign languages, we feel is a real accomplishment.

All right, can we keep this kind of thing up? Well, it is very difficult to provide the choice for qualified students come here as financial aid dollars have shrunk. Federal financial aid, as you know, has not kept pace with the cost of higher education. Our commitment to financial aid grew from about $2.3 million in 1983 to about $12 million in 1991. Here at this school, our revenues from Pell Grants and Supplemental Educational Opportunity Grants have decreased from five percent of tuition revenues in 1979–1980 to 1.5 percent in this last year. It could, I suppose, happen that that figure is so insignificant it would not be worth our while to even participate in the program.

In that same period, Dickinson grant programs have increased from about ten percent of tuition revenues to over 20 percent, and the percentage of our tuition and fees revenue which underwrites student aid went from 8.6 percent in 1979–1980 to 18.4 percent in 1991. And the last figure, the percentage of Federal student aid, has increased by 52.8 percent in the last decade, while the college contributions to student aid have increased almost 300 percent. So the burden has been shifted back to institutions of higher education and that, for us, means a real challenge to need blind admis-

sions and a real challenge to giving qualified students the choice of coming to this institution.

As you know, the squeeze is on the middle class. I am fascinated by this term "middle class", by the way. I am not a sociologist. We find that the biggest squeeze from parents for our prospective students are parents in the income group of $50,000-$75,000 a year. Those are the people who are in the box where most programs do not reach. More than that of course, they can generally afford it and do not even apply for financial aid. Less than that, there are programs. Now $50,000 to $75,000 a year as a family income sounds quite wholesome and quite fulsome. I guess I used to think of people in that group as wearing white collars and working in industry at pretty nice jobs, but what we are seeing more and more is that these are blue collar families with working spouses who cannot—who score in that range of $50,000 to $75,000 a year and they are simply cut out of financial assistance programs. They simply do not qualify for them.

This of course—the squeezed middle class is putting more pressure on State institutions, which are having to expand. Many schools—thank goodness Dickinson is not one of them—many private schools actually do have extra spaces in their classes where students could be accommodated if somehow or other the revenue shifts could occur to make it possible for them to attend those schools. Instead, we talk in this State about adding additional campuses while some private schools have space on their campus.

Let me switch now to a third topic and that is Title VII of the Act. We find that our major capital problem in higher education today is funding academic facilities. We have done some planning on our own campus and we know that our first needs are two new science buildings. We have done a lot of looking around the country to find sources to fund those buildings and they are virtually non-existent, almost not there. A colleague of mine who is in higher education in a big west coast school said the other day that trying to raise money for a science building is a little bit like trying to win the California lottery. Very, very difficult. We need help with the funding of science facilities.

We did an informal survey of about 24 schools like Dickinson and we were surprised to see that most of them—I think there was one exception in that list of 24—had built a new science building in the last 25 years. Some had done some renovations, as in fact we have, but the money available for science construction is very, very small. And as many people can tell you, we are proud of the number of science graduates we produce in the United States, and most of the research scientists come from institutions like this one.

Well by way of conclusion, let me make the following recommendations. I hope that we can re-examine eligibility requirement for financial aid to ensure that the needs of the middle class are being met, as well as maintaining assistance to people whose income falls below that level.

I would like to see in the new Act some tightening of accreditation procedures for institutions which do have high default rates. The default rates are very much skewed toward a particular kind of institution and I think that if we could in fact get those default rates under control, the averages would begin to look pretty good.

I hope too that we can create—rather reward colleges that provide innovative and successful science programs with some additional support for facilities.

And I would also like to make this suggestion, that we think about ways to create special grant programs to help underwrite student aid packages for those institutions which practice need blind admissions. There has to be some way, I believe, to penalize institutions which give aid on the basis of merit, even if it is in fact their own dollars. Dollars being fungible, this ends up meaning that no matter what portion—no matter where the financial aid budget comes from, if a portion of it is given on the basis of merit, deserving students will not see that money. And we ought to find a way to make sure that the most part, maybe even all, of higher education's assistance programs go to students that need them, not to students who happen to have a good foot for soccer or who happen to play a flute better than the next guy or who happen to have certain racial or social characteristics that a school wants at any given time. Financial aid should be based on need and would be, I think, of great assistance to all of us if somehow in this new legislation we could focus on that and encourage and even reward the schools that do give all of their aid on the basis of need.

Thank you very much.

[The prepared statement of Dr. A. Lee Fritschler follows:]

STATEMENT

to the

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

COMMITTEE ON EDUCATION AND LABOR

UNITED STATES HOUSE OF REPRESENTATIVES

JUNE 3, 1991

BY

A. LEE FRITSCHLER
PRESIDENT, DICKINSON COLLEGE

Hearing before the Committee
Memorial Hall, Old West
Dickinson College
Carlisle, Pennsylvania 17013

Mr. Chairman and Members of the Subcommittee:

As President of Dickinson College, I am honored to welcome you to Carlisle, Pennsylvania, and to the campus of one of the nation's original colonial colleges. Dickinson is an independent, liberal arts college, which enrolls 1900 students. Our endowment is about $60 million and our annual operating budget is approximately $50 million. About 60% of our students receive financial aid. Since its founding in 1773, Dickinson has taken pride in its mission of preparing students for lives of leadership and service to their professions, their communities, and their country. In the context of that tradition, it is an honor to host this public forum and to discuss with you the reauthorization of the Higher Education Act of 1965.

As one who has devoted nearly three decades to the study, teaching, and active pursuit of public policy, I am convinced that the relationship that has developed over the past 35 years between the federal government and America's institutions of higher learning makes sense: adequate federal support of post-secondary education has been and remains good public policy. From the "sputnik scare" of the 1950s, which led in part to the creation of the first National Defense Education Act in 1958, to our discussion today, Congress and the colleges and universities across this land have been joined in common purpose: to educate and prepare generations of Americans for the challenges and opportunities of

effective citizenship. The cooperation of federal and state institutions, together with a strong independent sector, have created a system of higher education characterized by a rich diversity of programs and institutions, all dedicated to meeting the needs of a diverse population while serving the public good. Its variety and special character have allowed American higher education to teach more people, to produce more original research, to create more goods, and to touch more lives in positive ways than any other system of education in history. We have much of which to be proud. Still, a survey of the national and international scene today and some educated speculation about the decades ahead, leaves me with some concern about the future of higher education and the issues which confront us most directly. It is to the issues of access, choice, and quality, as these pertain to your considerations of the reauthorization of the Higher Education Act of 1965, that I will direct my remarks today.

For generations, Americans have perceived higher education as their passport to upward mobility, successful careers, and more satisfying and productive lives. As a nation we have agreed that higher education should remain an available tool for all those struggling against the tyranny of poverty and ignorance. As no nation before us, we have come to believe that access to higher education must be preserved for all of our citizens and expanded to include the increasing numbers of our country's minority

populations. Accessibility is one of the first principles of American higher education.

Dickinson, like many institutions of higher education, has worked hard to remain accessible to all students, regardless of background and socio-economic circumstances. It is our intention to do all that we can to remain a viable choice for all qualified applicants who believe they can benefit from our programs and particular type of education. Our admissions efforts are aggressively designed to attract applicants from a variety of diverse backgrounds and socio-economic contexts. Together with 11 other independent institutions in the Commonwealth, for example, Dickinson has created "Access & Choice", a program aimed at inner-city 9th and 10th graders, largely African American and Latino/Hispanic students. The program seeks to encourage such youngsters to consider higher education as a real possibility for their future. Meeting such students on their own turf, we talk about self-esteem, hard work, college preparation, and the availability of financial aid and other support. I believe that such grassroots efforts pay off for all of society, not just higher education, since the real beneficiaries are those young students who are encouraged to venture beyond their current horizons.

Dickinson also continues to admit students without consideration of their ability to pay (need blind admissions) and to provide packages of financial aid adequate to meet their

identified need for all four years of attendance, not just their freshman year. We are among a mere handful of schools that still pursue this path, and I wonder from time to time just how long we will be able to afford our principles in this regard. The task is formidable and has become harder every year.

The simple fact is that since 1983, the financial aid burden that accompanies expanded educational ambitions has shifted dramatically from the federal government to the shoulders of post-secondary institutions. To use my own institution again as an example, government sources of financial aid in 1983, accounted for $3,560,531 or about 23.2% of Dickinson's comprehensive fee. College resources devoted to financial aid amounted to $2,313,690 or about 15.2%. In 1991, the roles have reversed. Government sources of financial aid will account for $5,193,556 or 14.6% of total fees, while College resources amount to $8,137,648 or 22.8%. As measured as a percentage of tuition and fee revenues, Dickinson has increased grants for financial aid from 8.6% in 1979-80 to 18.4% in 1990-91. For 1991-92, in a budget recently approved by our Board of Trustees, institutionally-based financial aid expenditures will account for 12.04% of our entire annual operating budget.

At the same time, neither federal appropriations for the student aid programs nor the award amounts have kept pace with inflation. Adjusted for inflation (in constant 1987-88 dollars),

federal grant assistance to undergraduates at independent institutions grew from $1.184 billion to $3.421 billion between 1970-71 and 1975-76. During the period of greatest growth in costs which I have just cited, however, this federal aid declined dramatically through 1987-88 when it reached $1.101 billion -- or less than it had been seventeen years earlier!

I am certain that others from whom you seek testimony will inform your considerations with specific examples and describe in greater detail than I the precise effects of such a squeeze upon resources. What concerns me, and I hope the members of this subcommittee and your colleagues in Congress, is what the situation implies for the first principles of higher education which guide our efforts and to which our partnership is dedicated...namely, the ability of higher education to remain generally accessible to all who seek it.

In the days ahead, our nation will face challenges and a pace of change unknown in times past. The provision of adequate federal support through increased student financial aid in the current reauthorization will amount to nothing less than a national investment in the human resources that will be required for the future. Failure to act now to assure accessibility will condemn the less well educated, particularly those members of minorities most affected, to continuing cycles of poverty and frustration as they are left behind in the competitive and technologically

demanding workplace of tomorrow. The growing gap between the 'haves' and the 'have nots' in our society will increase, and our country may find itself weakened internally even while it is forced to compete more aggressively in the growing global economy that surrounds us.

I am equally convinced that we must recognize the importance of diversity within the American system of higher education and promulgate policies which sustain and enhance the wide variety of choices available to those who seek its benefits. Like the goal of accessibility, diversity and choice must be considered among the first principles of higher education and its partnership with government because they lend strength to our endeavors. If we truly believe that America's diversity is its strength, and if we truly believe that the student population of our colleges and universities should reflect that diversity, then we must assure access to students from families at all economic levels even as we encourage participation by groups of students defined by race, ethnic background, and other methods. It is simply not sound public policy to have federal programs of financial assistance focus aid on a smaller and smaller cohort of students. An element that has been crucial to the success of American higher education will be lost, perhaps irretrievably, if only the poor (with federal assistance) and the wealthy are able to attend independent institutions. Independent institutions like my own enroll about 21% of those currently attending higher education institutions in

the United States. We contribute substantially to the quality and variety that characterize the whole system, and we do it effectively and largely by our own resources.

It is one of the ironies of the current situation that government policies regarding financial aid may in fact be inadvertently penalizing the lower-income groups it is intended to aid. A recent story in U.S. News and World Report notes that many talented students from middle-income families are self-selecting out of independent institutions to take advantage of the lower costs available at prestigious, publicly-subsidized universities. Citing a study by economists, the story reports that students from families earning between $40,000 and $65,000 comprised just 18% of private college enrollment in 1989. That is a decline from 27% in 1982. In the same time period the percent of upper-income students in private institutions increased from 50 to 63%. The story attributes much of the migration to restrictions on financial aid for middle class students. An unsettling sidenote to this story is the suggestion that current funding policies threaten to stratify higher education along class lines. Migration from the independent sector also increases pressure on state-supported institutions, which are forced by budget crises to spread services more thinly or to cut enrollments and raise admissions standards. All of these pressures serve to discourage students of lesser advantage all the more from pursuing higher education.

9

It is essential, therefore, that public policy reflect and support the carefully-wrought partnership between public and private institutions which has created the remarkable variety of size, location, program, and mission that lies at the heart of the American educational enterprise. Because of such variety, the entire system is strengthened when students are able to make critical choices in matters that concern them directly.

The combination of inflation, rising costs, and the narrowing and erosion of federal support in the past decade strikes directly at the issues of diversity and choice, since such issues have tended to be particularly harsh for the independent sector of higher education and the middle-income groups in American society. Again to use my own institution as an example: In 1979-80 the total cost of attending Dickinson was $6,345 or about 32.4% of the national median family income at that time. By 1990, the total cost had risen to $17,400 or 51.8% of an estimated national median family income of $33,600. In the face of rising costs, students and their families drained personal savings and other resources while the congressionally mandated need-analysis formula enacted in 1986 rendered the children of many middle-income families ineligible for federal assistance. At the same time, historically important programs such as the Supplemental Educational Opportunity Grants (SEOG) Perkins Loans, and College Work-Study (CWS) awards suffered. Between 1981 and 1991, funding for the SEOG program declined by 11.9%, funds for CWS dropped by 32.3%, and Perkins Loan

appropriations plunged by 67.5% (in constant dollars). Funding for the State Student Incentive Grants (SSIG) program also decreased by 48.1% over the same period. Coupled with increased restrictions associated with the Pell Grants, such lack of federal support has unduly burdened the sons and daughters of middle-income families and unduly restricted their ability to select a postsecondary institution that best meets their educational abilities and career aspirations. The students within this group are not faceless statistics, but rather the sons and daughters of people with whom we might be friends and neighbors. Their parents might own a small business, wear a white or a blue collar, and be of any color -- they are united, however, in their aspirations for their children and in their willingness to sacrifice personal comfort to contribute substantially of their own resources to the costs of higher education. Responding positively and in meaningful ways through the Higher Education Act to their needs is farsighted and good public policy.

A few weeks ago, Dickinson graduated its 218th class of seniors -- 520 young men and women of promise passed through this very room to receive a diploma on the steps of Old West. Among these graduates were many students who had benefitted from Title IV funds (Perkins/Stafford loans), the mean aggregate loan amount is $13,000. For some few students in the group this amount surpasses $20,000. I hasten to note that this indebtedness is exclusive of all loans and other debts parents may have assumed and for which we

have no figures. Our concerns on this account are twofold: first, that the vision of such financial burden will preclude many qualified and worthy applicants from seeking Dickinson as their first choice undergraduate institution; and secondly, that the debt incurred by those who do attend might exert undue influence on career choices that are important to them as individuals and to the greater society they might benefit. How unfortunate it would be, for example, if the demands of debt repayment were to lead some of our most creative and promising young citizens away from social service careers or occupations that, while satisfying and socially rewarding, do not pay enough to allow graduates to meet their obligations to lending agencies for school loans.

The role of the federal government in maintaining access to higher education has been crucial to the efforts of those who seek its benefits; I believe that the government can do no less in matching the efforts of higher education institutions in maintaining the diversity and degree of individual choice that is essential to a vital enterprise. Here, too, others who testify will provide specific solutions and suggestions for your consideration. Their proposals will deal with the need for increased loan funds, expanded definitions of eligibility, greater access to subsidized loans, and longer repayment periods -- all of which will benefit many members of the middle-income groups. My concern once again relates to basic principles, that failure to act upon these or similar suggestions will be tantamount to promoting

a system that limits opportunities and choices for students who happen to be born into moderate income families.

Based upon our experience at Dickinson, I can tell you that such students are safe bets. To begin with, they tend to persist in numbers far higher than the national norm. Our retention rate regularly exceeds 90% of all admitted students. Traditionally, 80-85% of the members of any freshmen class can expect to graduate within 5 years of admission. We are proud of the rate at which hopeful matriculants become successful graduates at Dickinson.

Federal policies that are more sensitive to self-help requirements and the balance of grants to loans in student aid packages will help us continue this record-setting pace and encourage greater persistence and graduation rates at other institutions as well. We currently have 371 graduates in the repayment mode with student loans. Their default rate is less than five-tenths of one percent, a truly remarkable record. I think that such experience attests to the reliability and sincerity of such students and that such behavior deserves greater support under the terms of the Higher Education Act.

Finally, I would like to turn attention to the issue of quality. Despite much discussion on the subject in learned journals and the attention of the popular press, no issue in higher education has proven more protean and more difficult to define and

measure than the issue of quality. I do not pretend to have easy answers to such challenging questions and want to restrict myself to a few observations about the connections I see between quality in higher education and the task of this subcommittee. My hope is to convince you to pursue policies that will keep government a positive force, not a disincentive, in our joint quest for quality.

I believe that the fundamental quality of American higher education, despite its more vocal critics, is really quite high. We provide more services, many of which are mandated by federal regulations, to meet the needs of more people, within an expanding universe of basic knowledge, than any system of education before our time. We are called upon to provide basic research and new technology that is useful to government and industry; to broaden the base of the educated public; to preserve, to create, and to distribute knowledge; to serve as critic, friend, and teacher to our society and its rising generations. While we may do some of these things better or worse than others from time to time, I think we generally continue to serve the common good and to provide quality education in our several roles. The best evidence for my belief may lie in the fact that students from all over the globe flock to American colleges and universities, and our own citizens enroll in record numbers. I also believe that the quality of the programs that attract such students is the fruit of the partnership between the federal government and higher education.

Using my own school as an exarple once again, I note with appreciation the support provided by the federal government to our efforts to improve and broaden the Dickinson curriculum. A million-dollar grant from the National Endowment for the Humanities, matched by $3 million of institutional money, enabled Dickinson to assume a position of preeminence in the areas of foreign language education and international studies. With such meaningful federal encouragement, we have managed over the past decade to create a learning environment both on campus and at several sites overseas which encourages students to think more broadly about the challenges and opportunities they will encounter in an increasingly interdependent world. Our 1991 graduating class of 520 students contained 101 language majors, and fully 50% of the class had spent a summer, a semester, or an academic year abroad. I believe that such preparation will make our students better-informed and more productive citizens, and that the government's investment in such programs will be repaid in manifold ways.

More recently, Dickinson has undertaken a major revision of its science programs, looking especially at the ways by which science is taught at the undergraduate level. Such a development was to be expected, I suppose, since the College has traditionally placed within the top two dozen or so schools which grant undergraduate degrees to those who then go on to obtain Ph.D.s in science fields. My point, however, is that the progress we have made in developing exciting new teaching methods that replace the

old lecture format with hands-on workshop activities has been given major boosts by federal programs and funds which encourage and support such creative and important efforts.

I believe that such experience is not unique to my institution, although I am obviously proud of our accomplishments at Dickinson. Rather, I point to this positive interaction between higher education and federal support as an example of what is happening at many institutions across the country. Each specific case provides additional argument for our continuing partnership.

As the members of this committee continue their deliberations on the reauthorization of the Higher Education Act, I would hope they will adopt those suggestions which will continue and expand financial support for our partnership in higher education. It goes without saying that many institutions, my own included, would face an almost impossible task in attempting to sustain progress and quality without much-needed federal support. A decade of erosion and limitation in federal student aid and in other sections of the 1965 Act has already forced us to reallocate limited institutional resources to support our students and sustain our responsibilities to the common good. I hope you will join us in making a renewed commitment to our common task.

I appreciate this opportunity to address the committee and am most willing to respond to any questions its members may have.

Respectfully submitted,

A. Lee Fritschler
President, Dickinson College

Mr. GAYDOS. Dr. Ceddia.

Dr. CEDDIA. Thank you very much for giving me the opportunity to represent Shippensburg University here today before this prestigious group. I appreciate a chance to share with you some ideas and thoughts about the reauthorization act.

Let me begin by giving you just a very brief commercial about Shippensburg University which is located not too far from here, south on Route 11. We are a public comprehensive institution, we serve more than 6500 students in a variety of disciplines. We have about 55 percent of our students coming from families that are participating on postsecondary education for the first time. Over 60 percent of our entire student body at the University receives some type of financial aid and we are proud to share with the committee this morning that our default rate is 1.6 percent on our loans, which we process nearly 4500 a year.

Shippensburg University is also part of the State system of higher education in Pennsylvania, one of 14 State-owned universities serving nearly 90,000 students. We are in fact, the largest higher education entity in the Commonwealth of Pennsylvania.

I have submitted some prepared testimony for the committee and I would like to focus my brief remarks on several points. The first one is the access issue which my good colleague from Dickinson has already addressed. I would suggest to the committee today that I am not sure that just putting more dollars in the category of access is going to solve the access problem for minorities and women in higher education. I think that beyond just the reauthorization act in higher education there is a linkage in this whole issue of access. You have before you as a body the civil rights legislation which is now pending which is receiving a lot of debate, and I also will call your attention to the fact that the new Secretary of Education has taken upon himself as a result of the advice of his committee on Reauthorization—Advisory Committee on Accreditation, to hold up the reauthorization of the accreditation of Middle States Association of Schools and Colleges, most notably the Commission on Higher Education, because of its diversity standards in accreditation. I suggest to you gentlemen today that dollars alone will not solve the problem of access. I think it is a matter of attitude and value as well as it is money, and frankly I am perplexed by this current administration's position regarding the access issue.

I can certainly understand full well the debate on civil rights and the matter of quotas and other things, but I have great trouble understanding the Secretary of Education's present stand regarding the Commission on Higher Education. Those diversity standards were established by the membership themselves, the institutions of higher education in the Middle States Region. Clearly they do not force quotas on the institutions, they speak directly to the institution's own ability to develop standards of diversity which the institutions must themselves meet, and no institution has been held up in terms of re-accreditation because of a quick decision regarding their failure to meet or establish diversity standards. This has become a very important and hot topic for the far right in our country. It has been linked to the civil rights issue, it has been linked to the quota issue and in my opinion, gentlemen, it is a red herring and is causing genuine concern in the higher education

community, especially in the Middle States Region. I suggest to you that just the issue of dollars alone will not solve the problem. It is a matter of attitudes and values and if in higher education we are going to succeed to provide access, it is not just a matter of the redistribution of dollars, it is also the commitment, the firm commitment of institutions in higher education to meet the access issue as institutions, not just beyond providing access to those students who have dollars. It is a matter of looking at the make-up of our society and what is in the best interest of our society now and in the future.

On the matter of equity, I think there are some legitimate issues as well, some of which have already been addressed. But I am convinced that we need to do more. And I would suggest that we need to look at capping the home value that we look at, particularly for the middle income families, in the financial aid assessment process. I would suggest, for example, we might cap the home value at three times the family's income. We are experiencing at Shippensburg University a situation where many families, because they happen to be in a boom housing market, the value of their home has escalated and it has truly outstripped their true income level. And when you use the home equity as a consideration in the financial aid assessment process, we think that we need to come up with some kind of equalizer so that we do not over-burden those families or over-estimate their true worth.

Secondly, we would urge you to reverse the trend of the 1980s away from grants, towards loans. Such a policy, that is moving more dollars towards loans instead of grants, does create excessive indebtedness and will put an excessive burden on students and in fact keep students out of higher education.

Number three, we would suggest to you that there is an inconsistency in the current regulations regarding Pell Grant recipients. We ask them to sign a statement that they do not use, manufacture or distribute drugs. However, a student can receive a $4,000 Stafford loan, a $4,000 PLUS loan, a $2,000 Supplemental Educational Opportunities Grant and a $1,500 Federal work/study job or a Federal Perkins loan and is not required to sign such a statement. We would suggest that that needs to be addressed and some equity be dealt with there.

Fourth, we would suggest to you that we simplify the current definition of an independent student. Students and parents do not understand this. Aid administrators find it difficult to administer and the 16 questions needed to establish one's status are at best very intimidating. So we would ask the committee in the process of reauthorization to look at that.

Five, we would suggest that you might create an educational savings protection allowance. The current system disproportionately penalizes parents who have chosen to save for college.

In the area of simplification, we would recommend to you this morning that you eliminate the maintenance of two separate need analysis methodologies for financial aid. Families are terribly confused or overwhelmed by the financial aid process to begin with and they have a great deal of trouble understanding the dual process. My financial aid administrators, not only on our campus, but throughout the country, find it very difficult to explain to families

and to deal with this dual methodology. So we would suggest you look at that.

Secondly, we would suggest that you eliminate complicating data elements that affect comparatively few applicants. For example, such as dislocated workers and displaced homemakers, elementary and secondary school tuition and medical/dental expenses. We think that that needs to be looked at and there might be ways in which that might be streamlined and not affect all applicants.

In addition, we would suggest that you might simplify the application process for families on public assistance and do not pass on to the campuses that are already over-burdened in their financial aid offices, the process of reverifying this family's status. A family on AFDC should not need to prove that they are poor for financial aid purposes. That has already been established and there needs to be some way in which we do not have to reduplicate that process.

Finally we would suggest to you that you establish a process that allows for issuing of regulatory changes in a timely fashion and allow campuses ample opportunity to adjust to them. We also would suggest that as much effort be brought to bear on the process of issuing regulatory changes, that they be clear and that frankly we do not need legal counsel in the financial aid office to understand the requirements of those changes.

In conclusion, I would suggest to you in the reauthorization process that there are two other important matters that need to be addressed. In Title IX certainly there is some focus on providing more access to graduate education for minorities applicants and women. But I would suggest to you, gentlemen, today that there is probably no greater challenge that we face in higher education than replacement of our faculty in the future. I would suggest to you that it might be appropriate that we consider some type of incentive program in graduate education for students who are interested in teaching and doing research in higher education institutions.

We need some way to replace our faculty in the future. It is clear that across this country within the next ten to 15 years, more than a third of our faculties will be retiring and we need somehow to place some new blood into the stream so that we can continue to maintain the efforts we have attained on various campuses.

And secondly I would suggest to you that in the business and corporate world, there are a number of highly qualified and very interested people who might like to make a mid-career transition from business and industry to higher education, teaching and research. I would suggest that we might want to explore some type of bridge grant or loan program which would afford these people in mid-career who are willing to sacrifice high paying jobs and high quality of life to come back to academia to do some teaching and mentoring and research, an opportunity to do that. And I believe it would be an excellent way of also supplementing our need for newer and brighter faculty in the years to come.

It is clear that members of this Congressional group that are with us this morning are strong supporters of higher education. We appreciate your continuing support. The reauthorization act is another major step for this country in ensuring that we have the best higher education system in the world. But I would also suggest to you gentlemen this morning, as I said earlier, that it is not just a question of dollars. There are other issues that are very much involved in the quality of our enterprise and I would ask you to look not just at the reauthorization act but beyond that.

Thank you very much.

[The prepared statement of Dr. Anthony Ceddia follows:]

Testimony of Dr. Anthony F. Ceddia, President
Shippensburg University of Pennsylvania
to the Subcommittee on Postsecondary Education
at Dickinson College, Carlisle, Pennsylvania
June 3, 1991, at 10:00 a.m.

Mr. Chairman:

My name is Anthony Ceddia, and I am currently the President of Shippensburg University of Pennsylvania. Thank you for affording me the opportunity to share with you my concerns as you consider, once again, the Higher Education Act.

Shippensburg University is a public comprehensive institution located in south-central Pennsylvania. Shippensburg offers Baccalaureate and Master's degree programs to over 6500 students in a variety of disciplines. About 55 percent of these students come from families that are participating in postsecondary education for the first time. Over 60 percent of the entire student body at Shippensburg receives some type of financial aid.

In the United States, our colleges and universities provide a quality educational experience that is the envy of the world. This educational network was developed on the premise that all citizens of our country should be allowed equal access to our higher education resources. History would validate the meaningfulness of this premise. Students from all economic levels, from all social backgrounds, and from all regions of our country have been able to enroll in and graduate from a variety of postsecondary institutions. Our nation has profited as a result of the nurturing of this valuable human resource. Our strong economy and high standard of living are visible examples of the benefits which accrue, across generations of families, when students are able to participate in a college experience.

The higher education system in the United States is not stagnant. As social, technological, and scientific changes occur, our institutions have embraced these changes. As we approach the 21st century, and participate in an international economy, it is imperative that we continue to prepare our students for future roles as change agents. We cannot continue to provide this nurturing environment without your assistance.

Equal access to higher education is one of the most important issues we face today. Children from families with middle incomes will not be afforded equal access if the proposed changes in the eligibility thresholds are approved. These students, traditionally, attend regional universities where the tuition is usually affordable. By reducing the level of financial aid available to this group of middle-income families, their access to higher education will be severely limited.

Social equity must also be of vital concern to us. We must reverse the trend which favors loans, rather than grants. Minority populations are discouraged from seeking this form of financial assistance. The indebtedness burden of some college graduates severely limits their ability to participate fully in our economy. Our growing population of non-traditional students, defined at our university as greater than 25 years of age, has also been unwilling to shoulder the burden of college loans.

What issues should we address at this juncture in your deliberations? I believe the following are worthy of your consideration:

Regarding Student Financial Aid

1. Create an educational savings program that would encourage parents to save for their children's education. Our current needs analysis system penalizes parents who choose to establish an educational savings plan.

2. Simplify the current definition of an "independent student." The current list of 18 questions required to establish independent status intimidates many students and is burdensome to institutions.

3. Reconsider the unfairness of the current use of the value of the family home as an asset for determining eligibility for financial aid. This consideration would provide relief to families whose home value over time has greatly outdistanced their income.

4. Extend the assurance required under the drug-free school regulations of Pell Grant recipients to loan recipients. This would extend the current drug-free school regulations to recipients of all federal funds.

5. Combine the two needs-analysis methodologies--Pell Grants and loans--currently used to determine eligibility into one, creating one uniform set of eligibility standards for determining need.

6. Consider an application by-pass for low-income families who are receiving Aid for Families with Dependent Children benefits. It should not be necessary to verify low income status twice.

There is another issue that needs to be addressed during the reauthorization process. As a labor intensive enterprise, the future success of higher education will depend upon its ability to recruit, sustain and develop qualified faculty.

Regarding Faculty Replacement

1. Consider the establishment of incentive programs for those students with the interest and ability to teach in higher education institutions.

2. Explore alternative sources of replacement faculty, and offer bridge-grants to supplement the incomes of these mid-career professionals who consider college teaching for the first time.

The re-authorization of the higher education act will set the stage for this nation's future. If we are to continue to make social and economic progress, our doors must be open to all students, of all ages and backgrounds. Higher education must continue to provide an equal educational opportunity for all our nation's children.

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Mr. GAYDOS. Dr. Romano.

Dr. ROMANO. Thank you very much. Good morning. I represent Pennsylvania State University, a 23-campus land grant university system enrolling some 70,000 students, its flagship campus, the University Park Campus in State College, Pennsylvania. There are some 17 additional Commonwealth campuses serving principally as 2 year feeder campuses to other division units of the University, and several units of the University have unique missions including a medical school at Hershey, Pennsylvania.

I am the Executive Officer of the York Campus, which is situated in a suburban community in York, Pennsylvania, not some 40 miles from here. The campus enrolls just slightly less than 2,000 students, the third largest campus among the 17 Commonwealth campuses.

Although the largest campus of the University is at University Park where some 39,000 students are enrolled, the uniqueness of Penn State is in part reflected by the fact that some two-thirds of the University's freshmen enter Penn State by way of campuses other than University Park. Some have suggested that it is all but impossible to adequately describe the Pennsylvania State University in 5 minutes or less, thus I will end my brief introductory remarks about Penn State here. Suffice it to say we are the school with the football team that has recently joined the big 10 and it is nice to be with you.

This subcommittee and the Congress has very serious business to consider, business which I suggest will affect the vitality of the Nation. No one can doubt the importance of education to advance the system of democracy, economic development and standard of living that many in this nation enjoy and most of the world seeks. The trick for us is to sustain our position of worldwide leadership and not fall subject to Paul Kennedy's possible prognosis as described in his recent book "The Rise and Fall of the Great Powers." Can anyone doubt that it is through our nation's system of education that we can set the stage for equal opportunity and advancement for all?

I sit before you as the son of immigrant parents born and raised in New York City in a unique community known as Harlem. My father, like you, was a Federal servant for most of his life—he was a postman. For me, education in New York's public schools was followed by a community college and then the State university system of New York for a baccalaureate degree, then a private school in Massachusetts for a master's degree and finally a doctorate from Penn State. All of the experiences and several others have brought me here today.

The days of working a summer job to save to offset a significant part of college expenses sadly appear long gone. I made it at a time when tuition was indeed reasonable and grants and loans made it possible for this poor kid from New York to have a chance. Your committee now considers ways to extend the opportunity I had many years ago to current generations of Americans. And I want you all to know that I indeed did repay my National Defense student loan that I took out many, many years ago, 100 percent.

I am no expert on student aid. Fortunately you will hear testimony in a later panel today from those working with the funding

system more directly. But I can tell you that the student aid program that we develop here has the promise to make a great difference.

I would like to share just three or four brief messages, some of which you have already heard in testimony in the first panel as well as by my colleagues earlier. We have the tendency today to rely increasingly on loans rather than grants, and this adds a great burden to many who wish to pursue higher education. Unchecked, the phenomenon will decrease access of both the low and middle class income students in higher education. I think we can all agree this will not serve the Nation well.

Secondly, adult student enrollments are increasing rapidly in higher education and we want them to. It is good for the Nation, many return for a second chance, for retraining, for mid-career changes. This fits, in my opinion, the national agenda of retraining and upgrading skills of the work force. I have provided details of the number of students who are adult students who are returning to the University from the York campus of Penn State, but just by way of further example that I did not include in my written testimony, in the fall of 1985, just 5 short years ago, 28 percent of our students were 25 years of age or older—1985, 28 percent. In the fall of 1990, 40 percent of our students were age 25 years of age or older. We went from 326 such students in 1985 to some 765 students in 1990. This is a substantial change that is occurring not just at the York campus of Penn State, but at many campuses of the University and indeed at many other institutions of higher education all across the country. It seems to me that efforts must be made to generate policies in student aid that are sensitive to this rather significant change in who is going on to college.

A third issue has to do with education abroad. Apparently in an earlier review of the authorization act there was some question as to the eligibility of students to qualify for student aid who are on study abroad programs. I contend that this is a very, very important issue that demands clarification so that students who are on study abroad programs may very well qualify for student aid. I think it is extremely important that young men and women today have the opportunity to understand that our world has become increasingly small as the years have passed, and one of the best ways and one of the best educations that any student can perhaps ever get, even at the fine institutions that I see represented here is to spend a semester or a year away in another land.

Finally, as was recently mentioned, a graduate education represents an incredible opportunity and a problem for higher education. The nation's talent at the highest level is at risk when we deal with graduate education. The world sends its graduate students to the United States and to institutions of higher learning in America. And we increasingly are failing to send our own men and women who are qualified and capable to go on to advanced study in their respective fields. This is an important agenda for the nation as the Nation works and competes in an increasingly competitive worldwide market, but more than that, it is also critically important as my colleague just suggested for the Nation's schools and colleges. We have a faculty that is aging and we must replace them and yet we have fewer and fewer students who seem to have the

capability to advance beyond the baccalaureate degree among those that even reach the baccalaureate degree. Clearly we need to have incentives for students to study at the graduate level. And although I would fully subscribe to all of the suggestions that have been made with respect to increasing the level of funding in Title IV, it is fairly clear to me that Title IX as well requires that additional support in order to permit this nation to train its best men and women to take positions of national leadership, be it in research or in the Nation's schools.

I thank the committee for providing me the opportunity to be here with you this morning.

Mr. GAYDOS. Without objection at this time, the prepared statements as submitted will be made part of the record. And before I forget, the statement of Vice President Zuzack of the Indiana University, Pennsylvania Association of Student Financial Aid Administrators will also be made part of the record.

[The prepared statements of Dr. John Romano and Christine A. Zuzak follow:]

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Testimony Submitted to the

House Subcommittee on

Postsecondary Education

on

the Reauthorization of the Higher Education Act

June 3, 1991

Dickinson College

Carlisle, PA

John J. Romano

Campus Executive Officer

Penn State York Campus

My name is John J. Romano, and I am the Campus Executive Officer of the Penn State York Campus.

I appreciate the chance to testify on the reauthorization of the Higher Education Act. Those of us from Pennsylvania are fortunate to have bipartisan representation on the Postsecondary Education Subcommittee. In particular, I would like to express my appreciation to my own congressman, Bill Goodling, who does such an outstanding job in Washington representing his constituents. This is especially true for those of us whose lives are dedicated to improving the educational system at all levels. His leadership is appreciated.

For the record, Penn State University is a multicampus state-related institution which is also the Commonwealth's land-grant institution.

Penn State derives much of its public character from its obligations as the land-grant institution. In return for carrying out its land-grant mission, the University receives regular appropriations from the state legislature. Because the Commonwealth uses and supports it as an instrument for the public good, Penn State is, for most practical purposes, a public university. It should be noted, however, that the University is privately chartered and governed by a board of trustees selected under that charter.

Since the 1960s, the legislature has conferred more limited public responsibilities on three other institutions: the University of Pittsburgh, Temple University, and Lincoln University. It has classified them, along with Penn State, as state-related institutions. Legislative appropriations make up much smaller portion of their total operating budgets -- 21 percent for Penn State in 1989-90 -- than those of the fourteen state-owned universities in the Pennsylvania State System of Higher Education.

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Penn State's University Park Campus, located in State College, is the administrative headquarters of the institution. It is the primary site for graduate study and enrolls more than half of all Penn State undergraduates.

But Penn State affords a diversity of educational opportunities throughout the state.

Special-Mission Campuses

Penn State Erie, The Behrend College, confers associate, baccalaureate, and master's degrees. Studies in about twenty-five baccalaureate degree majors may be completed at Erie; the remainder are at freshman and sophomore levels and may be completed at University Park. Penn State Harrisburg offers only the junior and senior years of baccalaureate study along with several graduate programs.

In 1989, by act of the state legislature, the Pennsylvania College of Technology (formerly Williamsport Area Community College) became a wholly owned affiliate of the Corporation for Penn State. It enrolls some 3,200 students in two-year programs.

Penn State Great Valley near Philadelphia offers master's degree studies in several fields.

The College of Medicine is in Hershey at The Milton S. Hershey Medical Center, owned and operated by Penn State. It awards the doctor of medicine degree and, in conjunction with the Graduate School, Ph.D. and M.S. degrees in a few fields.

Commonwealth Campuses

Seventeen Commonwealth Campuses offer the first two years of study in most of the University's baccalaureate curricula. All but Allentown also have associate degree programs.

The statewide campus system is an outgrowth of the community-based campuses Penn State established during the economic depression of the 1930s. By literally taking higher education to the students, the University lowered the cost of attending college and enabled many persons to enroll who otherwise could not have afforded to do so. Today, nine of every ten Pennsylvanians live within thirty miles of a Penn State campus. More than 65 percent of Penn State freshmen begin their academic careers at campuses other than University Park.

The Reauthorization

This subcommittee is in the midst of a serious process which will culminate with the adoption of possibly the most significant and far reaching legislation before the 102nd Congress. I would like to focus my brief comments on the demographic patterns in higher education which are emerging in Pennsylvania and which have a particular relevance for the work of this subcommittee as you examine issues involved with the Higher Education Act and in particular, Title IV, Student Financial Aid. I am aware that a following panel of financial aid experts including Penn State's Assistant Vice President for Student Financial Aid will be testifying before you today so I will not attempt to discuss the complexities of that delivery system. However, I would like to focus on what I perceive to be a major shifting trend in the nature of the students we serve.

Demographic Patterns

Research compiled by Katharine B. Holsworth of Penn State's Office of Budget and Research Analysis reveals that the decline in the number of Pennsylvania high school graduates that has been occurring since 1976 has not abated. For 1989, the most recent actual data, the number has fallen to 139,239, a drop of 26.7 percent from 1976. (See Figure 1)

The trend of increasing percentages of these graduates who continue on to college has reached a record 60.8 percent. This translates to 84,628 students, only 0.5 percent fewer than in 1988. Pennsylvania's college-going rate is now above the national average of 59.6 percent, but it is not likely that further improvements in this rate can be expected to offset projected declines in the number of high school graduates through 1994.

These facts, not unlike trends nationwide, serve to reinforce the need for all of us to focus on the needs of those traditionally underserved in the two and four year academic programs offered at institutions such as Penn State.

For example, at Penn State York, overall enrollments during the past five years increased 75 percent including a 36 percent increase in full-time students and a 140 percent increase in part-time students. The increase in part-time student enrollees reflects a major change in higher education as the number of adult student learners increase. In 1990, the average age of all students at Penn State York was 26; forty-five percent of the students enrolled were age 23 or higher, and twenty-three percent were within the age bracket 30-44 years.

What are the implications of these data? I am not insensitive to the dilemma facing the members of the subcommittee. Resources are finite and the needs are practically infinite. Just a listing of the titles of the Higher Education Act itself is a handy mechanism for identifying the areas of concern:

Title I: Postsecondary Programs for Nontraditional Students
Title II: Academic Library and Information Technology Enhancement
Title III: Institutional Aid
Title IV: Student Assistance
Title V: Educator Recruitment, Retention, and Development
Title VI: International Education Programs
Title VII: Construction, Reconstruction, and Renovation Academic Facilities
Title VIII: Cooperative Education
Title IX: Graduate Programs
Title X: Postsecondary Improvement Programs
Title XI: Partnerships for Economic Development and Urban Community Service

Depending on whose calculation or which year one's figures are based on, it is safe to say that Title IV, Student Assistance, receives approximately $11 billion. It is also clear that you as lawmakers will seek solutions for major issues such as student loan defaults and the restoration of grants rather than loans as the main aid source for low and middle income families. However, from the perspective of the data presented above, an argument can be made that the current system directs student

financial aid disproportionately to full-time students at the expense of students attending less than half time. At the same time, it appears that the Department of Education must be directed by the Congress to recognize that, as part of this trend of altered demographics, higher education institutions are using emerging educational technologies to expand the reach of higher education. The Department of Education's suggestion that eligibility be determined by mode of delivery rather than by educational "result" is not practical in this age of distance education and emerging technological sophistication.

A recent Carnegie Foundation Report (1991) "Education for Adult Workers" by Nell P. Eurich, noted Penn State's use of educational technologies to advance educational opportunities for individuals across the Commonwealth. For example, a College of Agriculture sponsored program -- Pennsylvania Education Network -- links all 67 counties in Pennsylvania and agricultural extension agents via computer with the latest information on agriculture, horticulture, home economics, family living, energy management and youth development. PENN-LINK is a system of delivering academic courses and programs via satellite to all campuses of Penn State and beyond. Noteworthy is a special Penn State acoustical engineering program delivered to civilians in the Department of Naval Personnel at their work places in Key Port, Washington, and San Diego, California. Closer to home, two-way video connections enable faculty at University Park and the Hershey Medical Center to teach jointly in the interdisciplinary fields of bioengineering and food sciences. These examples show the importance of emerging academic delivery systems as well as the need to develop opportunities to serve students in varied settings across the Commonwealth of Pennsylvania and the Nation.

Recommendation

The subcommittee must be sensitive to the needs of "nontraditional" students and "nontraditional" delivery mechanisms for purposes of student financial aid if it wants to meet the needs of this growing segment of our higher education population. It seems that accredited institutions

exercising academic controls to ensure conformity with university standards should be able to deliver their courses through whatever delivery systems are appropriate to meet learners' needs.

Recommendation

Despite the 1986 HEA Amendments, little has changed for part-time students. Recent events in the Congress, based on budgetary pressure, have resulted in a reversal of the 1986 HEA Amendments regarding less than half-time students eligibility for Pell Grants. The Subcommittee should consider the legitimate needs of part-time students to participate fully in all federal student aid programs.

International Education

Penn State supports the incorporation of Representative Leon Panetta's bill, HR 1154, into the Subcommittee's version of the reauthorization bill. The legislation would improve international education at all levels, including the clarification of ambiguities in federal financial aid policies regarding the availability of funds for approved study abroad. This legislation is similar to a bill introduced at the end of the last Congress by Chairman Ford and we hope that the Subcommittee can take positive action. It is our understanding that because the legislation involves increasing applicability of current financial aid programs which would not require new federal spending, this would be an extremely low cost way to increase access to international education.

Graduate Education

Title IX is important to Penn State. Our President, Josh Thomas, recently pointed out that our graduate programs and the research component is and has been probably the most prominent success story at Penn State over the past decade. Penn State is at the forefront of America's research universities and its research enterprise is among the fastest growing in the Nation. I should also point out that Dr. Thomas has emphasized his commitment to the "complementarity" between teaching and research. He has stressed his strong belief that the research

university is the best model in existence for undergraduate education. "At its very best, teaching and learning at the frontiers of knowledge opened new worlds for students and faculty . . . Research and teaching are not antithetical functions. Rather, they are intimately related and mutually beneficial."

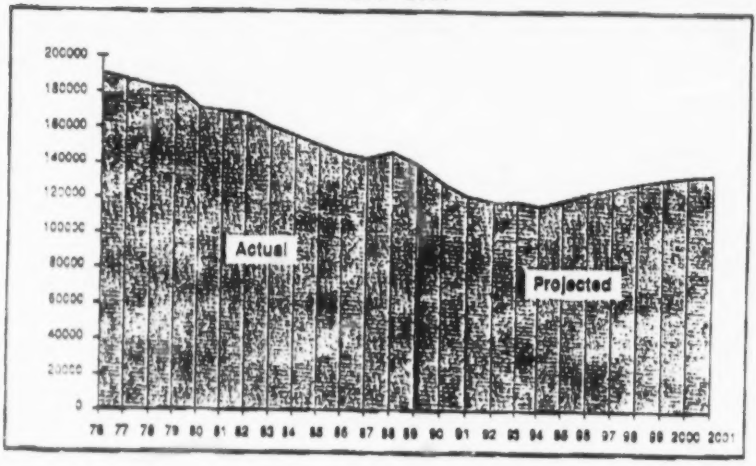
Although Penn State's University Park Campus is the hub for graduate work in most fields and enrolled more than 6,400 advanced degree students in 1990-91, 40 percent of graduate student enrollment is at campuses other than University Park. A total of 10,684 students were enrolled for graduate work at all campuses. Because of our major interest in graduate education, Penn State supports the recommendations of the higher education community for Title IX which have been submitted to the Subcommittee. Those recommendations, which focus on enhancing the quality and diversity of our graduate students and future college and university faculty, are important.

I appreciate this opportunity to express the perspective of Penn State. Although the focus of my remarks only touched on Title IV, our expert on that topic will address this Subcommittee on a subsequent panel today. In my remarks, I have attempted to highlight some significant issues involving Titles I, VI, and IX in particular. Obviously, Penn State has an interest in the entire HEA reauthorization and our President, Joab Thomas, plans to write to the Subcommittee members from Pennsylvania (Mr. Goodling and Mr. Gaydos) and Chairman Ford prior to mark up in September.

I would be glad to respond to any questions from the members.

Figure 1

PENNSYLVANIA HIGH SCHOOL GRADUATES
1976 - 2001



		High School Graduates	% Change from Prior Yr	Cumulative % Change from 1976	Cumulative % Change from 1988
Actual	1976	190,043			
	1977	186,936	-1.6%	-1.6%	
	1978	183,132	-2.0%	-3.6%	
	1979	181,480	-0.9%	-4.5%	
	1980	170,648	-6.0%	-10.2%	
	1981	168,078	-1.5%	-11.0%	
	1982	167,841	-0.1%	-11.6%	
	1983	160,329	-4.5%	-15.6%	
	1984	154,744	-3.5%	-18.6%	
	1985	149,666	-3.3%	-21.2%	
	1986	148,006	-1.1%	-22.1%	
	1987	142,811	-3.5%	-24.8%	
	1988	148,929	4.3%	-23.2%	
	1989	139,239	-6.5%	-26.7%	
Projected	1990	128,974	-7.6%	-32.3%	-7.6%
	1991	121,182	-6.0%	-34.3%	-13.0%
	1992	117,442	-3.1%	-34.2%	-15.7%
	1993	117,618	0.1%	-34.1%	-15.6%
	1994	116,264	-2.0%	-33.3%	-17.2%
	1995	118,521	2.6%	-37.6%	-14.9%
	1996	122,061	3.0%	-36.8%	-12.3%
	1997	125,488	2.8%	-34.0%	-9.9%
	1998	128,365	2.3%	-32.5%	-7.8%
	1999	131,007	2.1%	-31.1%	-5.8%
	2000	132,746	1.3%	-30.1%	-4.7%
	2001	132,988	0.2%	-30.0%	-4.5%

Testimony to be submitted for the record

REAUTHORIZATION OF THE HIGHER EDUCATION

ACT OF 1965: PASFAA RECOMMENDATIONS

Christine A. Zuzack, Vice President
Pennsylvania Association of Student
Financial Aid Administrators
Indiana University of Pennsylvania

The Pennsylvania Association of Student Financial Aid Administrators (PASFAA) is pleased to have the opportunity to provide testimony on the Reauthorization of the Higher Education Act of 1965 to the House of Representatives' Subcommittee on Postsecondary Education. PASFAA represents over 550 student aid professionals from the Commonwealth of Pennsylvania.

This Reauthorization of the Higher Education Act may be the most important since the inception of the student aid programs. The future of our nation depends upon an educated population who will be able to find the economic, political, social, and technical solutions to the complex global concerns that the world continually faces. The time to prepare our nation is now; the place is from within the higher education arena.

With this in mind, PASFAA offers these thoughts and recommendations on Reauthorization. Our objective is not to address each Title of the Act. Rather, we wish to focus our attention on the Reauthorization of the Title IV aid programs, and offer suggestions for improvements and encourage study of complicated issues.

DELIVERY SYSTEM

It is critical that the financial aid delivery system be improved and simplified for all participants. This includes not only students, but institutions, state agencies, processors, and funding agencies as well.

While many students may complete the initial student aid application, many do not finalize the financial aid process even though they could have qualified for significant amounts of funding. This is often due to the numerous and confusing amount of documentation and forms that the student and his/her family are required to submit before funding can be advanced. Student Aid Reports, verification forms, standardized test scores, financial aid transcripts, federal income tax returns, 1099 forms, anti-drug certifications, statements of selective service registration compliance, and a myriad of other documents are requested from the student. For first generation post-secondary students, this avalanche of requested documents can be threatening and overwhelming. Financially unsophisticated families, many of whom depend upon social service programs for their only income, are confused about what paperwork is required. Often in frustration,

these students retreat from the very financial aid programs designed to assist them and never receive the funds for which they would be eligible. The opportunity of higher education is thus denied to these students.

PASFAA is opposed to the use of financial aid programs and the delivery system to accomplish non-related social objectives (e.g. statement of selective service registration compliance, anti-drug certifications, etc.). These statements are attached to the financial aid delivery system to achieve unrelated goals. While PASFAA appreciates the intent of these requirements, we have several objectives. There is a tremendous amount of paperwork and personnel time devoted to tracking these certifications with no significant benefits achieved. These requirements target only those needy students applying for financial aid in their attempt to pursue higher education. Students who have adequate funding to cover education expenses are not required to comply. Additionally, groups that are receiving other federal benefits such as A.F.D.C and Social Security Benefits, are not required to provide these certifications. We feel that the financial aid delivery system is an improper mechanism to use in the pursuit of these goals and suggest dropping these certification requirements.

Recent attempts to decentralize a portion of the delivery system through several Multiple Data Entry (MDE) processors were well received. However, by allowing more functions to be handled directly by these processors, the delivery system can be enhanced even further. The federal government now has an opportunity, through Reauthorization, to reduce unnecessary and costly steps that can be better handled by the MDE agencies.

Both the issue of the common form and the free form need to be resolved at this time. It is our opinion that a single form to apply for Pell Grant and other federal student aid has been an advantage to students and their families. However, the Department of Education should allow some flexibility in the wording and placement of items on the application. This accommodation would allow state grant agencies to collect required information and prevent the need for a separate application for this purpose. The issue of a free form is a bit more complex. If this is to become a reality, the federal government should assume the processing and delivery system costs for federal student aid.

SINGLE NEEDS ANALYSIS SYSTEM

Although the financial aid community has become accustomed to explaining the differences among Pell Grant, Congressional Methodology (CM), state grant, and institutional needs analysis systems, the membership does support a single system for Pell Grant and CM. Currently, the Pell Grant formula is not so much a measure of need as it is a funding allocation formula. Through one system the indexing of Pell eligibility can still be used to allocate

funding. Obviously, this type of change will involve negotiations and have an impact upon our recommendations in the Needs Analysis section of this document.

PUBLIC SERVICE INCENTIVES

While PASFAA recognizes the historical significance of incentives for public service, which exist in the NDSL/Perkins loan cancellations and the Paul Douglas Scholarship, we do oppose public service programs that would be tied to federal student aid funds. While the concept has merit, funding should not be at the expense of the education programs.

NO NEED/MERIT SCHOLARSHIPS

PASFAA views the federal government's role as providing student aid funds for individuals who would not be able to afford higher education without outside assistance. Particularly with budget concerns in mind, educational spending should be focused on financial need and not on rewarding academic excellence or talent. Merit is its own reward and appropriate recognition can be provided by educational institutions. The subjective nature of merit criteria also detracts from their usage. For these reasons, PASFAA is opposed to federal funds being targeted for the creation or continuation of merit based awards.

NEED ANALYSIS

The introduction of Congressional Methodology (CM) brought many changes that, although well intentioned, were not always in the best interest of students and their families. Some CM issues are better handled through other mechanisms than the initial application process. A review of these issues follows:

Simplified Need Analysis

While it is difficult to argue against simplifying the application process for low income students, the current system has not been successful. In many cases these filers have been harmed by simplified formulas. By not completing the full application, simplified filers are eliminated from consideration for some state and institutional aid programs. Others actually have higher expected family contributions calculated using the Simplified Needs Test data than they would through the full data calculations under CM. Additionally, the treatment of many independent students without dependents is too generous in its treatment of student assets.

The application process, already complicated for all filers, has been compounded by the attempt to accommodate the simplified

formulas into the current aid application. That is not to say that a new approach cannot be taken for families that have already demonstrated extreme financial hardship for other federal assistance programs. The current system already relies on another federal system (Internal Revenue Service) as a basis for aid eligibility. Why not apply the same principle using other federal systems as a gauge to determine need?

Our recommendation is to explore alternative ways to handle students whose families qualify for programs such as AFDC, etc. without complicating the application for the majority of other filers.

Professional Judgement

It is impossible to write into law something that will cover all situations. No single financial aid application or analysis can accommodate or recognize the diversity of family finances and situations. For this reason it is imperative that Professional Judgement be continued for Congressional Methodology and restored to the Pell Grant program. Professional Judgement provides for fair treatment of individuals in special cases. Financial aid administrators see these cases every day: the student with an alcoholic father, physically and sexually abused children, refugees, families living on the edge who do not fit the current Pell Grant Special Condition options.

Financial aid administrators need a tool to help those students and their families who don't fit the mold. Professional Judgement allows the flexibility to assist these students.

Treatment of Veteran's Benefits

The treatment of veteran's benefits needs to be clarified so that information on all types of veteran's benefits are collected on the financial aid application and that all of these benefits be treated uniformly in determining eligibility for the Pell Grant, Campus Based Programs and Guaranteed Student Loan Programs.

Treatment of Dependent Student Earnings

The current expectation from student earnings on base year income is excessive, especially for new students or students returning to school after a long absence. A more equitable method would be to either use a minimum expectation for these students, or base their income contribution on estimated year income. For continuing dependent applicants the assessment rate should be lowered from 70% to 50%.

With the current method, industrious students often feel that they have been eliminated from the student aid programs because of their initiative. Had they not worked, their financial aid

eligibility would have been greater. In many low income families, the students's income helps to support the household and is not available for education spending.

Treatment of Independent Student Earnings and Assets

It is our opinion that married independent students without other dependents are treated too liberally in the EM needs analysis system. PASFAA recommends that these students should be treated similarly to independents students without dependents.

Dislocated Worker and Displaced Homemaker

As with the Simplified Needs Analysis, including the Dislocated Worker and Displaced Homemaker into the aid application has complicated the process for all to the benefit of a few. These students can be better accommodated through the application of Professional Judgement.

Others Enrolled In Postsecondary Education

It is recommended that only family members enrolled at least half time in a degree or certificate program be considered in the multiple family member adjustment of the Pell Grant Index and the Expected Family Contribution calculations. Further, parents of dependent students should not be included in the number in college. Instead, unreimbursed direct educational costs for parents should be used as a deduction against income when determining the parent contribution.

Definition of Independent Student Status

The Higher Education Act of 1986 redefined the definition of the independent student by incorporating both "automatic" and "conditional" criteria. The number of application questions for the conditional criteria is increasing annually and is contributing to the complexity of the application. It is the position of PASFAA that the independent student definition needs to be simplified. We would like to preserve the current four automatic criteria and add a fifth to permit married students to automatically establish their independence. Professional Judgement on the part of the financial aid administrator would be used in all other cases. A proliferation of students have "set themselves up" to meet the conditional criteria for independence and thus enjoy financial aid benefits that should be directed to truly needy individuals. These changes would prevent this situation from occurring.

Assets

The assessment of student and parent assets is one of the most

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delicate, and perhaps the most difficult calculations in both Pell Grant and Congressional Methodology needs analysis. It is also one of the most complicated to justify and explain to those families who have been frugal enough to set aside a portion of their prior years' income for future expenses. It is certainly a topic that should be studied in depth through Reauthorization. A more equitable approach may be to replace the current asset contribution with a combination of income supplement derived from an expectation of prior years savings based on such factors as family income, family size, age of parents, and other family attributes with a measure of a family's ability to finance educational costs over an extended period of time.

In particular, the current treatment of primary residence is inequitable. In many cases, contributions are being assessed more by volatile home market conditions in certain sections of the country. Many students attending Pennsylvania institutions are adversely affected. Perhaps a more innovative approach of measuring this asset would be to investigate an alternative treatment suggested by the College Board's Committee on Standards of Ability to Pay. This method would cap home value at the family's current ability to buy a home today at the family's maximum financial capacity. This is a novel idea that should receive additional attention.

Responsiveness

With the creation of Congressional Methodology, the education community has been restricted in offering the enhancements and adjustments that were available under the Uniform Methodology Needs Analysis system. Because of the legislated methodology, the system is not responsive to inequities and improvements. Assuming that this system will continue, we recommend that Congress require the Department of Education, in conjunction with NPSF processors and the education community, to recommend annual updates to CM as part of the budget or appropriation process.

ESTABLISHMENT OF PERFORMANCE CRITERIA TO DETERMINE LEVELS OF REGULATORY PRESCRIPTION

There is a strong sentiment in the education community, especially among financial aid administrators, that student aid programs have become overly burdened by excessive regulatory compliance requirements. Year after year, additional regulatory requirements are placed on the financial aid system, as well as on the student applying for the funding required to continue his/her education at the postsecondary level.

These requirements place a greater amount of program management on the institution which not only delays the delivery of aid to students, but also increases the administrative costs of

managing the programs efficiently. Many of these regulatory restrictions are unnecessarily imposed on all institutions and agencies. These requirements should be directed only to those parties that truly need them. For example, recently published regulations require extensive consumer information disclosure for vocational programs. While this regulation is intended to curb default costs, a large number of schools with low default rates are required to make major modifications which are unnecessary. Therefore, reasonable performance standards should be developed in order to evaluate and distinguish between those programs which perform well and those that do not.

By developing an effective performance criteria, certain sectors of institutions, specifically proprietary institutions, or non-degree/certificate programs would not be discriminated against, and would be measured against these standards to determine if additional regulatory restrictions must be followed.

Examples of performance standards that might be considered include the following:

A review of an institution's student retention rate of Title IV recipients.

A look at an institution's Cohort Default Rate giving consideration for substantial improvements.

Recommendations from outside auditors and/or program review specialists.

An institution's overall placement rate of its graduates

The needs and abilities of institutions and agencies vary widely. Therefore, in order not to segregate regulatory restrictions to certain schools and agencies, utilizing the effective performance criteria mentioned above to evaluate program performance would be an acceptable as well as fair measure on who must adhere to stricter guidelines.

THE GUARANTEED STUDENT LOAN PROGRAMS

The Guaranteed Student Loan Programs offer the maximum leverage of federal funds toward meeting educational expenses. Legitimate concerns over increasing administrative costs have often shifted the focus away from the tremendous benefits that these loan programs provide. Newspaper headlines highlight the relatively few borrowers who default on student loans as opposed to announcing the number who do repay their loan obligations. Necessary adjustments to the loan programs can help to improve their effectiveness while saving on administrative overhead.

The initiation of graduated repayment options could provide many borrowers with a mechanism to avoid early defaults. This option would permit smaller monthly payments for recent graduates who are filling entry level positions. As income rises over the years, the borrower would then be in a better position to make larger monthly payments.

Many recent graduates are confused about the actual dollar amount of their monthly repayment obligations and to whom they must make these payments. This is due to the proliferation of sales of student loan portfolios by the original lender to other lenders and secondary markets. Borrowers are often faced with two or three lenders each demanding at least a $50 minimum monthly repayment. Students need to be provided with better information regarding the holders of their loans and how repayment arrangements can be coordinated among the various promissory note holders. This would provide an excellent default prevention measurement.

Participation of middle income families in the Stafford Loan Program is being severely curtailed due to recent changes in needs analysis. Students from middle income families often have little or no eligibility under current guidelines and are thus unable to borrow funds necessary for educational expenses. Therefore, we suggest that that middle income students' eligibility for the Stafford Loan program be re-examined. As an example, Pennsylvania has a very effective non-subsidized Stafford Loan program that deserves national attention.

The annual amounts that student and their parents may borrow under the Guaranteed Student Loan Programs need to be increased in order to keep abreast of current educational costs. Particularly for upper level students, restrictive Stafford Loan borrowing limits can force families into multiple loan programs that make repayment more difficult. Newly proposed loan limits outlined in the administration's most recent budget proposal seem like an appropriate adjustment to the current borrowing levels.

In order to unify repayment schedules for all Stafford borrowers, the initiation of a variable rate Stafford Loan, similar in design to the PLUS and SLS programs, would provide a less confusing repayment array for students, schools, and lenders. Currently, there are outstanding Stafford Loans with 7%, 8%, 9% and 8/10% interest rates. A variable interest rate tied to the Treasury Bill rate with a 10% cap would be much less cumbersome for all parties involved.

Another recommendation is to limit the number of deferments that are currently available to borrowers. Deferments should be available for continued full time study and for unemployment. All other deferment options could be eliminated and difficulties with repayment could be handled through forbearance arrangements with the lender. This forbearance could in effect serve as a

"professional judgement" arrangement for lenders to use in appropriate circumstances where repayment becomes difficult or impossible for the borrower.

GRADUATE PROGRAMS

The support for education cannot stop at the undergraduate level. There is a critical need for increased grant funding for graduate study. This is especially true for programs designed to encourage a greater participation of minority groups.

Within the Title IV programs the following recommendations are made:

Allow entering graduate students to use estimated year income, when lower than base year, in the calculation of expected family income.

As mentioned in the Needs Analysis section, married independents without children should be treated the same as single independent students without children.

Finally, additional loan support is required to help meet the rising costs of graduate programs. Increases in Perkins Loan funds would enable schools to help the most needy graduate students at their campuses.

FUNDING

Reauthorization must consider the continuation of each of the existing financial aid programs. We recommend that the Pell Grant Program should be continued in its present configuration. This program has been established as the base of federal grant aid and is serving the neediest students with the funds made available. Unfortunately, the real value of this program has declined over the past decade as funding failed to keep pace with inflation and rising costs.

The campus-based aid programs (Supplemental Education Opportunity Grant, Perkins Loan and Federal College Work-Study) have existed in much their present form since the earliest days of Title IV Financial Aid. They provide the aid administrator with the means to target funds, at the institutional level, to students with demonstrated need. These programs also allow an immediate response to student circumstances. It is PASFAA's belief that these programs have shown their value by their longevity and that they should, with minor modifications, be continued.

Two issues provide the basis for these suggested modifications. The first concerns the grant/loan imbalance. The past five years have shown a decrease in the proportion of student need met by grant assistance, with a consequent rise in student

reliance on borrowing. The result has been the alarming growth in student indebtedness and related problems with defaults. Ample evidence supports the reality of increasing reliance on loan funds.

The second issue concerns certain provisions in the current law which limit the institution's ability to address student need by directing funds in an equitable manner for all students. Restrictions on the flexibility of aid administrators to use the programs in the most efficient ways are creating these problems.

In the SEOG program, current law requires that the funds be given first to the students with the lowest expected family contribution and with priority to those receiving Pell Grant. Due to limited funds and the components of the Pell Grant formula, this provision results in students already receiving the most grant aid being targeted for SEOG funds, while other students with exceptional need are excluded from the SEOG program. It is PASFAA's suggestion that these provisions be modified to allow institutions to award SEOG funds to student with the highest remaining financial need after any entitlement grants, (e.g. Pell and State), have been deducted. This will permit greater flexibility and allow a more equitable mix of grant and self-help for students currently being under-served.

Further, current law allows a transfer by institutions of up to 10% of allocations between SEOG and CWSP. We believe that this should be modified to allow a transfer of up to 20% of allocated funds. Again, this would give the aid administrator greater flexibility in the use of funds provided. The issue of grant/self-help ratio could be addressed at the school level in a manner not currently available, and with attention to specific needs. We believe this to be particularly important as funding remains limited and unchanged in these programs.

Finally, the issue of funding for Pell Grant and the Campus-Based Aid Programs is itself an issue directly related to flexibility and the Grant/Self-Help ratio. It is PASFAA's view that reauthorization should address this concern. The funding targets in grant programs should be so established as to adjust the ratio of Gift to Self-Help aid to a more balanced level. While the reauthorization process cannot assure appropriation, it can provide leadership in the way programs should be funded to meet the needs of students.

CLOSING REMARKS

We hope that these comments have helped to enlighten and guide you through some of the major issues of Reauthorization. For the United States to remain on the forefront of technology, continued financial support for higher education is essential. Thank you for your continued interest in this important area.

Mr. Goodling.

Mr. GOODLING. Thank you, Mr. Chairman, a couple of observations I suppose and a question or two.

Dr. Fritschler, you indicated that Federal aid has not kept pace with the cost of higher education. I have an awful lot of colleagues that you will have to explain to them why the cost of higher education has outstripped the rate of inflation dramatically. We will have to have those answers before we can sell a lot of our colleagues in the Congress.

Choice—you mentioned choice. I had a couple of concerns; one, I get so many parents who do not send their children on to some form of higher education, who will tell me that they are willing to—they feel they have a responsibility to pay taxes to help others go on to forms of higher education, but they do not feel that they have a responsibility to send them wherever they want to go. Then when you mentioned choice, I was thinking of the present suit I believe that the Justice Department has with some of our, quote, "prestigious" institutions of higher learning in relationship to price fixing, which sort of gave me the idea that they will charge as much as we are willing to put up.

I will give you an opportunity to respond. I should not be doing this to our panel.

Dr. FRITSCHLER. Where is your district, Congressman?

[Laughter.]

Mr. GOODLING. Let us see—oh, I was going to ask you about the California Lotto, I was going to ask whether that is much more difficult to hit than the one in Pennsylvania since you used California rather than Pennsylvania.

You did talk about the proprietary schools, where of course we have the dilemma that 51 percent of our students do not go on to a 4 year institution and yet those who go on to the proprietary schools probably are going to have to be trained and retrained by those institutions over and over again if we are going to exist. So it is a complicated problem that we are dealing with. They also do not have the luxury of dealing with students, in many instances, who would be accepted at any of your three institutions. So it makes it a difficult problem for us.

I guess one question that I would have before you respond to any of the other comments, to is what do you attribute your low default rate?

Dr. FRITSCHLER. We attribute it to the fact that the students who come here are—do graduate in 4 years and they do generally go on to some kind of employment relatively soon so that they can in fact begin the repayment plan, if not immediately, after they finish graduate school. And that we administer the aid very carefully and do follow up with them.

Mr. GOODLING. Have you had any courses or programs where of course you emphasize and re-emphasize the need to pay back and the purpose for paying back and their responsibility to pay back?

Dr. FRITSCHLER. Yes, we try to make that very clear to them.

Mr. GOODLING. Did you want to say anything about the other comments——

Dr. FRITSCHLER. Well you raised many issues on costs of education in this particular sector and I think its value. In terms of its

value, I believe that that is relatively clear and it does society good to support this kind of alternative in higher education. There are not many countries in the world that have private education as a counterweight to public education at the higher education level, and I think that the whole country and the whole system benefits by having this kind of institutional choice available.

On the question of inflation and costs, we could spend a lot of time arguing about that, but I think I am right to say that if you look back 25 or 30 years, you will see a fairly good tracking with inflationary costs, to our charges at institutions like Dickinson. I like to point out a year at Dickinson back just after world War II cost about as much as a good new Ford or Chevrolet, if you are more comfortable with that. And that is about what it costs today. Now the car that you buy today is going to have a lot more on it and it is going to be a much better machine and you are paying for that increase too. And that is what you are doing essentially in higher education.

We are quite different from the way we were right after World War II. I mentioned that Dickinson has overseas centers, for example. Half of our students study abroad before they graduate and we send those students abroad on our bill. I mean their tuition covers their transportation to one of our centers overseas. So if you are going to have education like this, it is going to cost. I think it is remarkable, frankly, that we are able to offer this high quality education at the low cost that we are offering it.

Mr. GOODLING. Dr. Ceddia, I agree with many of your recommendations. Number one, the President has asked 2 years in a row I believe for a program such as you mention. We have not gotten around to it yet.

The Ways and Means Committee is looking for increased revenue to the Treasury of the United States, they are not looking for any suggestions from us that might decrease that revenue.

And number three, several of our colleagues have been pushing this for several years to eliminate the family home equity as part of the needs analysis I think these are excellent suggestions. Alternate certification is something that this administration is also pushing. I am happy to say that AFT is also on board in relationship to alternate certification, that always helps.

I am not quite sure that I am ready to jump on your diversity of standards bandwagon. I have to look into that a little more carefully because certainly this Secretary could not be included with the right-wingers, nor could this President. So I will have to look to see why Middle States was suggested for I believe 2 years rather than 5.

Dr. CEDDIA. I have written you on that, I think your office has a letter explaining it. I appreciate your consideration of it. I too am a little perplexed about the situation, I do not completely understand the Secretary's motivation. It did predate him and he did continue it. I know that there is considerable review of the matter now and there appears to be some negotiations going on. But I think quite honestly, Congressman, the administration's stance on it has really sent some very ambiguous signals across Middle States Region in terms of where it stands regarding diversity. I think we can have a very substantive debate on the issue of quotas and the problem

that presents, but I think in no way do the Middle States' standards speak to that or require quotas. It is very much self-generated from the institutional level and has in many respects had a very positive impact on the changing color and gender on the campus in Middle States Region in the last 5 or 6 years. And when it is institutionally based, it seems to me that that is the appropriate kind of value clarification and value sharing that we want in higher education, as opposed to any direct intervention from the Federal level. And where it is contained within the accreditation process where institutions themselves are involved in predetermining what the standards ought to be, I think that it does reflect very positively on what ought to be part of our mission in higher education. So I think there is some cloudiness here that needs to be cleared up.

Mr. GOODLING. Perhaps Jo-Marie will remind me to check with the Secretary as to what his thinking is on that issue.

Dr. Romano, you have missed a golden opportunity, although Dr. Fritschler was talking about soccer, when you mentioned that it is the school that is going into the big 10 in football, you should have also said it is also the football coach who insists that his students graduate or they do not get financial aid, et cetera.

Dr. ROMANO. Mr. Goodling, I assumed everyone knew that.

[Laughter.]

Mr. GOODLING. Again, I thank you all for testifying, we appreciate that.

Mr. GAYDOS. Before I call on Mr. Petri—I must have missed something, anybody can respond—did you say there was a decided increase in the number of middle income students applying for admission—decrease, increase, what is the situation as you have experienced it say over the last 3 or 4 years.

Dr. FRITSCHLER. It has been relatively flat because of the demographic picture, for us over the last couple of years. I imagine it will start to increase now as more students graduate from high school.

Mr. GAYDOS. Mr. Petri.

Mr. PETRI. Thank you very much. I guess I just have a comment and a question and I will try to be very brief. I realize it is not the subject of this hearing, but we probably should have a hearing on the accreditation process and whether it was intended, and whether in fact the law provides for certification of basic academic competence, or whether, like Mid States, franchises have been expanded and policies set that were not intended to be implemented in this particular way, and whether the Secretary is merely enforcing the law. Perhaps we should give the Secretary a greater franchise, or you folks a greater franchise, to decide what is correct on certain campuses.

The second issue is whether, as a matter of national policy—as Dr. Fritschler mentioned in his remarks—we have a difficult job providing for a great deal of diversity in trying to give Federal help to a vast array of different types of institutions, and whether we, as part of the accreditation process, should require homogeneity or diversity at each particular campus as a qualification of its being accredited, or whether in fact we want to allow different educational institutions to provide different experiences. For instance, a Jewish institution which may not believe a woman can be a rabbi

should perhaps not be compelled to permit women to attend. It happened to be that this one particular institution was Jewish, it was not a right-wing institution or a fundamentalist institution or anything of the sort. So to cast us in a right-wing, left-wing political perspective is, I think, quite a mistake and a red herring.

But my real question was of Dr. Fritschler and his suggestion of a bonus for universities that operate on a need blind analysis. I really think this is a good idea. It is one thing to give kids a pat on the back and say you have won a national scholarship to attend our university and if your family's financial situation changes, we will fund that scholarship, so that these students get the recognition but not money. It is another thing to give funds to people because they happen to be a particular group, a sports person or a minority or one thing or another, even though their families may be very wealthy, in order to accomplish some goal other than really providing financial access to that campus.

So if you have any ideas as to how we could go about doing this—we got into this a little bit with the African-American scholarship imbroglio in Washington—and how we can actually accomplish the goal of doing this on the basis of need, without being accused of discriminating against various other objectives which people are trying to accomplish, I would appreciate hearing them.

Dr. FRITSCHLER. I will send you something.

Mr. GAYDOS. Mr. Gunderson.

Mr. GUNDERSON. I am going to follow Mr. Petri's precedent here and ask each of you to submit something at least for the record, and if not for the record, I would appreciate it if you would send it to me, either care of the committee or my office personally.

Dr. Fritschler, I would like you to submit to us some more thoughts on the issue that Mr. Petri just brought forth, in the sense that at a time when we are trying to promote academic excellence, how do we only look toward the financial need, especially in the area of math and science, and what would the impact of that be. And I am not saying I disagree with you, frankly it is an issue I would like to think about a little bit more.

Dr. Ceddia, if I pronounced that correctly——

Dr. CEDDIA. That is fine.

Mr. GUNDERSON. Well for a Scandinavian, I am doing pretty good. I would appreciate it if you would—I do not know what you are sending or have sent to Congressman Goodling, but if you would either duplicate that or expand on that issue and send it to the rest of us, especially frankly the points that you are trying to bring up regarding the diversity issue. We need to struggle with that and we need to hear your side.

And Dr. Romano, you touched on what everybody on this committee knows is my cause in the reauthorization, which is non-traditional schools. And I wanted to share with all of you that Title I, which I along with Congressman Williams, pursued in the last reauthorization, with the exception of the urban universities, not one higher education association ever testified in front of the Appropriations Committee requesting a dime from Title I. Now that tells me a great deal about the fact that the associations are out of touch with the reality of change and when you look at a nation of students as a part of education reform, we had better figure out

how we are going to finance this nation of students returning to work.

I would in particular like you all, each of you, to frankly go down each title—as I look at institutional aid, obviously Title IV; as I look at international, as I look at the construction, as I look at cooperative and frankly as I look at graduate programs, each of these areas I think frankly ought to take into consideration the changing demographics of the non-traditional student in the training and retraining. And I would appreciate it if you would submit to us over the next few weeks, your recommendation specifically as to how we might better serve that emerging constituency.

So if it is possible for us to give you all homework and assignments, I have tried to do just that. But thank you all for very challenging testimony.

Mr. GAYDOS. Gentlemen, thank you all very much, and in particular, Dean Fritschler, thank you for your accommodations here today. I wanted to state that publicly.

The Chair calls panel number three; Director Kroh, Bradley Academy for Visual Arts; Director Maley, York Technical Institute and Director Murphy, Yorktowne Business Institute.

These are old friends here and on behalf of the full committee, I would like to welcome you and you can fight among yourselves as to who is going to start off. Without objection, all the prepared statements will be made part of the record.

STATEMENTS OF LOREN KROH, DIRECTOR, BRADLEY ACADEMY FOR THE VISUAL ARTS, YORK, PENNSYLVANIA; HAROLD MALEY, DIRECTOR, YORK TECHNICAL INSTITUTE, YORK, PENNSYLVANIA AND DR. JIM MURPHY, DIRECTOR, YORKTOWNE BUSINESS INSTITUTE, YORK, PENNSYLVANIA

Mr. KROH. Good morning, Chairman Gaydos, Representative Goodling and other members of the subcommittee. My name is Loren Kroh, and I am President of Bradley Academy for the Visual Arts in York, Pennsylvania. I am also a member of the Pennsylvania Skills 2000 coalition, a group of school officials, employers, public officials, students, graduates and other citizens. I am speaking today on behalf of my school and this coalition and I appreciate the opportunity to testify before you as you consider the reauthorization of the Higher Education Act.

Bradley Academy for the Visual Arts is very typical of private career schools. We are relatively small institutions that each focus on just a few career opportunities. We provide our students with a mix of classroom work and hands-on training. The entire experience gives them a better understanding of the world of work.

Our institution offers specialized associate degrees in Graphic Design, Interior Design and Fashion Merchandising to approximately 225 students throughout central Pennsylvania and northern Maryland. Our students represent a wide range of ages, but they all realize the need for job skills and are more comfortable in an environment like York than in a major metropolitan area.

Our students know the careers they want to pursue. Some have known all their lives, but for many the opportunity comes later in life—the non-traditionals that Congressman Gunderson had men-

tioned. These are the students who are changing careers, re-entering the job market after the kids are in school, or who have found a traditional 4 year college environment was not best suited for them. Each year 15 to 20 percent of our entering class will have attended some other postsecondary institution first.

Many of these students are frustrated because their course requirements are not focused enough on the skills they want to develop. Others need a more intimate environment, 225 is our school enrollment, not the size of a lecture class. This size allows us to work closely with students, culminating in the job search process, including videotaped mock interviews, resume critiques and job-lead development techniques. For those who wish to further their education, we have transfer of credit arrangements with colleges and universities throughout the region.

Bradley Academy, like most career schools, also has the ability to react quickly to changing technological needs of the marketplace. For example, graphic artists today still need to be well versed in traditional design skills, but the demand for knowledge and expertise in computer-based desktop publishing skills is growing rapidly. We were able to make the decision to modify our curriculum and purchase new computers and software within just a few months to teach our students the latest techniques in graphic arts. In response to business training needs, software-specific courses were prepared and offered.

We have established program advisory committees as have most NATTS degree-granting schools. The committees, comprised of practicing professionals from the field, aid in the school's regular review of curriculum to assure our coursework reflects real business needs, not perceived needs.

The result is a very favorable return on taxpayers' investment. Consistently more than 85 percent of our graduates get jobs. Our default rate the past 2 years has been 1.2 percent.

In his long-term education strategy, America 2000, President Bush calls for all Americans to pursue every educational opportunity available to them. As your subcommittee and the whole Education and Labor Committee consider the reauthorization of the Higher Education Act, we hope you will think of the varied opportunities Bradley Academy offers, the others schools you will hear from this morning, and all private career schools provide, and assure continued access across the spectrum of education.

I would like to offer two specific changes in financial aid programs I hope you will consider as you discuss reauthorization.

First, the method used in determining aid eligibility. To illustrate this point, I offer two cases where real estate assets reduced or eliminated access to aid.

In the first case, the parents were retired with only interest, IRA and Social Security income, but because they owned a family farm, the student was ineligible for most forms of aid. This student, through due diligence, held several part-time jobs to support herself through school and I am proud to say graduated just last week.

In the second case, the applicant's mother is divorced and received possession of the family home. She has an annual income of about $12,500 to support two people. Again, the value of the house prohibits her daughter from receiving Pell or Stafford aid.

The second area is uses of college work-study funds. Actual work experience is certainly one of the most effective tools to reinforce classroom training. Many of our students look for free lance work to enhance their employability. Presently, Bradley Academy students provide their services to non-profit organizations in our community. For example, one of our students designed the logo used by the City of York for its 250th anniversary celebration; they design the graphics for the annual hospital fete; they work with a local advertising agency on pro bono accounts. Changing the college work-study provisions to include the private sector could serve to greatly increase the opportunities to prepare for gainful employment. Such experience can validate or redirect the student's ultimate job objective.

Education's broad purpose is to provide the knowledge, experience and skills for students to participate in society as active, productive citizens. Part of that participation in society is the ability to support yourself and your family. Private career schools are part of the vast network of postsecondary institutions that provide for young adults and returning adults with the means to pursue such work.

I consider it an honor to be able to appear before this group today and thank you for allowing me to share my opinion.

[The prepared statement of Loren Kroh follows:]

Testimony Before the
Subcommittee on Postsecondary Education
Committee on Education and Labor
U.S. House of Representatives

by

Loren Kroh
Bradley Academy for the Visual Arts

Monday, June 3, 1991
10:00 a.m.

Dickinson College
Carlisle, Pennsylvania

Good morning Representative Goodling and members of the Subcommittee. My name is Loren Kroh, and I am president of Bradley Academy for the Visual Arts in York, Pennsylvania. I am also a member of Pennsylvania Skills 2000, a statewide coalition of private career school officials, employers, public officials, students, graduates, and other citizens. I am speaking on behalf of my school and this coalition, and I appreciate the opportunity to testify before you as you consider the Reauthorization of the Higher Education Act.

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With the rapidly changing technologies in the workplace and

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the increasingly challenging competition American companies face on local and global levels, it is in the best interest of many employees and employers for more Americans to pursue some form of education or training throughout their entire working careers. This applies to manufacturing assembly-line workers, service employees, and managers and executives alike.

Our students know the careers they want to pursue. Some have known all their lives, but for many this knowledge comes later in life . These are the student who are changing careers, re-entering the job market after the kids are in school, or who found that a traditional four-year college environment wasn't best for them. Each year 15-20% of our entering class will have attended some other postsecondary institution also.

Many of these students are frustrated because their course requirements are not focused enough on the skills they want to develop. Others need a more intimate environment. 225 is our school enrollment, not the size of a lecture class. This size allows us to work closely with students, culminating in the job search process, including videotaped mock interviews, critiques and job-lead development techniques. For those who wish further education we have transfer of credit arrangements with colleges and universities throughout the region.

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ability to react quickly to changing technological needs of the marketplace. Graphic artists today still need to be well versed in traditional design, but the demand for knowledge and expertise in computer-based desktop publishing skills is growing rapidly. We developed courses in computer graphics using the latest Macintosh technology. We were able to make the decision to modify our curriculum and purchase new computers and software within just a few months and teach our students the latest techniques in graphic arts. In response to business training needs, software specific courses were prepared and offered.

We have established Program Advisory Committees, as have most National Association of Trade and Technical Schools (NATTS) degree granting schools. The committees, comprised of practicing professionals from the field, aid in the school's regular review of curriculum to assure our coursework reflects "real" business needs, not perceived needs.

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Higher Education Act, we hope you will think of the varied opportunities Bradley Academy, the other schools you will hear about this morning, and all private career schools provide.

There are a two specific changes in financial aid programs I hope you will consider as you discuss reauthorization:

The method used in determining aid eligibility: I offer two cases where real estate assets reduced or eliminated access to aid.

In the first case, the parents were retired with only interest, IRA, and Social Security income, but because they owned a family farm the student was ineligible for most forms of aid. This student held several part-time jobs to support herself through school and graduated last week.

The second case involves an applicant whose mother is divorced and received possession of the family home. She has an annual income of $12,500 to support 2 people. Again the value of the house prohibits her from receiving Pell or Stafford aid.

Uses of College Work-Study funds: Actual work experience is certainly one of the most effective tools to reinforce classroom training. Many of our students look for freelance work to enhance their employability. Presently Bradley Academy students provide

their services to non-profit organizations in our community. For example, one of our students designed the logo used by the City of York for its 250th anniversary; they design the graphics for the annual Hospital Fete; and they work with a local advertising agency on their pro bono accounts. Changing the College Work-Study provisions could serve to greatly increase their opportunities by including the private sector.

Education's broad purpose is to provide the knowledge, experience and skills for students to participate in society as active, productive citizens. Part of that participation in society is the ability to support yourself and your family. Private career schools are part of the vast network of postsecondary institutions that provide our young adults with the means to pursue such work.

Thank you for allowing me to share my opinions with you this morning.

5

Mr. GAYDOS. Director Maley.

Mr. MALEY. Representative Goodling, members of the subcommittee, good morning. My name is Harold Maley, I am President of York Technical Institute, a private career school that has served residents of south central Pennsylvania and northern Maryland since 1967. In addition to representing my institution, I am also speaking on behalf of the Pennsylvania Skills 2000 this morning. I appreciate the invitation to describe York Technical Institute as your subcommittee considers reauthorization of the Higher Education Act, a piece of legislation I believe to be one of the most important Congress will vote on this session.

York Technical Institute is one of very few private career schools offering technical career programs in this region. We draw students primarily from the York, Lancaster, Gettysburg and northern Maryland areas. We began offering programs in Design Drafting Technology in 1967. We expanded our curriculum to include programs in Electronics Technology in 1983 and Travel & Tourism and Computerized Accounting in 1986. We serve 450 students annually, with more than 195 students graduating last year. Of those students, we placed 82 percent in jobs related to their major within 90 days of graduation, 95 percent of all graduates in jobs. Since opening the doors in 1967, we have provided quality, career-specific education to nearly 3,000 Pennsylvanians.

We serve a younger student body than most private career schools and they tend to draw more on student loans than grants. Our students, average age is 22 years, but they range in age from 17 to 61. Nearly 60 percent of our students are dependent and 40 percent are independent. Approximately 13 percent of our students have some form of education beyond high school prior to entering York Tech.

By and large our students have graduated high school, possibly attended some college or community college, worked in one or two jobs and are turning to York Technical Institute to provide them with technical, career-specific education to help them gain better-paying jobs. To assist students in finding those jobs, we take a unique approach to providing placement assistance. Rather than having a placement staff separate from our faculty, our faculty members are directly involved in counseling, job search training and helping students find their first jobs after graduation.

Central Pennsylvania has a diverse base of small manufacturing employers. York Technical Institute seeks to meet the needs of the area's employers through seeking their direct advice and input and quickly translating that advice into curriculum for our students.

In order to ensure our curriculum is responsive to area business needs, we have an Industry Advisory Board of more than 40 local employers that meets regularly to discuss the kinds of skills they need and how we might provide an education that instills those skills in our graduates. Our Advisory Board consists of employers representing all of our programs of study.

All of these efforts translate into good jobs for our graduates. Employers have good things to say about our graduates of all of our programs and our graduates often comment on how completing their diploma and degree helped them turn their lives around.

I would like to tell you about a couple of our graduates' experiences.

James Slee is a 1989 graduate of York Technical Institute's Electronics Technology Associate degree program. James graduated from high school in the early 1970s and attended Brevard College in North Carolina and Lenders College in South Carolina. He received a bachelors of science in psychology. Prior to enrolling at York Tech, James worked in a local factory for SKF Industries. He was trying to support a family of five, including a handicapped child, while subject to periodic layoffs due to the economy. He decided the instability and unpredictability of his job was unacceptable and enrolled at York Tech.

With his degree from our school, Jim is now a Technical Operations Manager/Master Technician with the East Coast Division of McBiz Corporation.

Where Jim used to be a factory line worker without much job security, he has had several promotions with McBiz. Today he manages and provides training to McBiz technicians all over the east coast region.

James was able to attend York Tech by securing a combination of grants and loans under the Title IV program.

A second graduate of York Technical Institute doing well here in central Pennsylvania is Lynn Myers. Lynn came to York Tech under similar circumstances to James Slee's; he was a factory worker who had weathered a succession of layoffs, and was tired of the uncertainty and economic hardship. Lynn enrolled in our program of Design Drafting Technology Associate Degree program and graduated in 1989.

After graduating, Lynn was hired by Moore Engineering. Since that time he has moved on to a job with P.H. Glatfelter Company where he is one of five York Tech graduates working as design drafters.

Lynn was able to attend York Tech by securing a mix of grants and loans also.

As you consider the reauthorization of the Higher Education Act, I urge you to pay close attention to the Title IV programs. As Title IV financial aid programs are currently administered, they are overly complex and confusing for students and financial aid officers alike. This complexity actually serves as a barrier to students considering postsecondary education.

Additionally, I would like to ask that you carefully review the mix of loans and grants available to prospective students. Assets tests currently in place do not realistically reflect some students' families' ability to support them and pay for tuition. The trend towards loans to the exclusion of grants has served to leave low-income students with large debts as they are just beginning their working careers. As Stephen Blair, President of the National Association of Trade and Technical Schools told your subcommittee last month, private career schools would like to see a better mix of grants and loans.

However, this is not a call to rob Paul to pay back Peter. If you add funds to grants programs by removing them from loan programs, you will make it more difficult for middle class students who cannot afford school without loans but do not qualify for

grants. James Slee and Lynn Myers are examples of these students who would not have been able to pay for school with their own resources. They were able to mix grants and loans to pay for their tuition, complete their associate degrees and move immediately into well-paying jobs that improved their lives.

One group of students has already been harmed by being effectively excluded from financial aid. Further compounding that problem by excluding another group is not a solution. All students, regardless of their socio-economic circumstances, should have access to financial aid to pursue the postsecondary education of their choice.

Thank you for inviting me to testify this morning.

[The prepared statement of Harold Maley follows:]

Testimony Before the
Subcommittee on Postsecondary Education
Committee on Education and Labor
U.S. House of Representatives

by

Harold Maley
President
York Technical Institute

Monday, June 3, 1991
10:00 a.m.

Dickinson College
Carlisle, Pennsylvania

Representative Goodling and members of the Subcommittee, good morning. My name is Harold Maley, and I am president of the York Technical Institute, a private career school that has served residents of Central Pennsylvania and Northern Maryland since 1967. In addition to representing my institution, I am also speaking on behalf of Pennsylvania Skills 2000 this morning. I appreciate the invitation to describe York Technical Institute as your subcommittee considers the reauthorization of the Higher Education Act, a piece of legislation I believe to be one of the most important Congress will vote on this session.

York Technical Institute is one of very few private career schools offering technical career programs in this region. We draw students primarily from the York, Lancaster, Gettysburg, and Northern Maryland areas. We began offering programs in Design Drafting Technology in 1967. We expanded our curriculum to include programs in Electronics Technology in 1983 and Travel & Tourism and Computerized Accounting in 1986. We serve 450 students annually, with more than 195 graduating last year. Of those students, we placed 82% in jobs related to their major and 95% of all graduates in jobs. Since opening our doors in 1967, we have provided quality, career-specific education to nearly 3,000 Pennsylvanians.

We serve a younger student body than most private career schools, and they tend to draw more on student loans than grants. Our students' average age is 22 years old, but they range in age

from 17 to 61. Nearly 60% of our students are dependent students and 40% are independent. Approximately 13% of our students have some form of education beyond high school when they enter York Tech.

By and large our students have graduated high school, possibly attended some college or community college, worked in one or two jobs, and are turning to York Technical Institute to provide them with technical, career-specific education to help them gain better-paying jobs. To assist students in finding those jobs, we take a unique approach in providing placement assistance. Rather than having a placement staff separate from our faculty, our faculty members are directly involved in counseling and helping our students find their first jobs after graduation.

Central Pennsylvania has a diversified base of small manufacturing employers. York Technical Institute seeks to meet the needs of our area's employers through seeking their direct advice and input, and quickly translating that advice into curriculum for our students. Our job is to provide the school-to-work transition that is so sorely lacking in our public secondary and postsecondary education system.

In order to ensure our curriculum is responsive to area business needs, we have an Industry Advisory Board of more than 40 local employers that meets regularly to discuss the kinds of skills they need and how we might provide an education that

instills those skills in our graduates. Our advisory board consists of employers representing all of our programs. Local employers who advise us on our Travel and Tourism program include Rosenbluth Travel, Budget Rent-a-Car, Sheraton Lancaster Resort, and American Airlines. Block Business Systems, Burle Industries and York Hospital advise us on our Electronics Technology program; Red Lion Controls, Burchart-Horn, and Basco Associates advise us on our Design Drafting Technology program; and Dauphin Deposit Bank and YEP Industries advise us on our Computerized Accounting program.

All of these efforts translate into good jobs for our graduates. Employers have good things to say about graduates of all of our programs, and our graduates often comment on how completing their diploma and Associate Degree programs at York Tech helped them turn around their lives. I would like to enter into the record a list of quotes from local employers about some of the graduates they have hired. I would also like to tell you about a couple of our graduates' experiences having graduated from York Technical Institute.

James Slee is a 1989 graduate of York Technical Institute's Electronics Technology Associate degree program. James graduated from high school in the early 1970s and attended Brevard College in North Carolina and Landers College in South Carolina, where he received a Bachelors of Science in Psychology. Prior to enrolling at York Tech, James worked in a local factory for SKF Industries.

Jim was trying to support a family of five, including one handicapped child, while subject to periodic layoffs due to the economy. He decided the instability and unpredictability of his job was unacceptable and enrolled at York Tech.

With his degree from our school, Jim is now a Technical Operations Manager/Master Technician for the East Coast Division McBiz Corporation. Based in Topeka, Kansas, McBiz is the parent company of Chuck E Cheese's Restaurants and Show Biz. If you are not familiar with Chuck E Cheese's or Show Biz, their trademark is animated robotic animals who perform and entertain young diners (and try the patience of their parents).

Where James used to be a factory line worker without much job security, he has had several promotions with McBiz. Today he manages and provides training to McBiz technicians all over the East Coast region.

James was able to attend York Tech by securing a combination of Pell Grants, Guaranteed Student Loans, Supplemental Educational Opportunity Grants and funds for the Pennsylvania Higher Education Assistance Agency.

A second graduate of York Technical Institute doing well here in Central Pennsylvania is Lynn Myers. Lynn came to York Tech under circumstances similar to James Slee's; he was a factory worker who had weathered a succession of layoffs, and he was tired

of the uncertainty and economic hardship. Lynn enrolled in our Design Drafting Technology Associate Degree program, and graduated in 1989.

After graduation, Lynn was hired by Moore Engineering. Since that time, he has moved on to a job with P.H. Glatfelter Co., where he is one of five York Tech graduates working as Design Drafters.

Lynn was also able to attend York Tech by securing a mix of grants and loans.

As you consider the reauthorization of the Higher Education Act, I urge you to pay close attention to the Title IV programs. As Title IV financial aid programs are currently administered, they are overly complex and confusing for students and financial aid officers alike. This complexity actually serves as a barrier to students considering postsecondary education as they do not understand how to properly apply for loans.

Additionally, I would ask that you carefully review the mix of loans and grants available to prospective students. Assets tests currently in place do not realistically reflect some students' families' ability to support them and pay for tuition. The trend towards loans to the exclusion of grants has served to leave low-income students with large debts as they are just beginning their working careers. As Stephen Blair, president of

the National Association of Trade and Technical Schools (NATTS) told your subcommittee last month, private career schools would like to see a better mix of grants and loans.

However, this is not a call to rob Paul to pay back Peter. If you add funds to grants programs by removing them from loan programs, you will make it more difficult for middle class students who cannot afford school without loans but do not qualify for grants. James Slee and Lynn Myers are examples of students who would not have been able to pay for school with their own resources. They were able to mix grants and loans to pay for their tuition, complete Associate Degrees, and move immediately into well-paying jobs that improved their lives.

One group of students has already been harmed by being effectively excluded from financial aid. Further compounding that problem by excluding another group is not a solution. All students, regardless of their socio-economic circumstances, should have access to financial aid to pursue the postsecondary education of their choice.

Thank you for inviting me to testify before you this morning.

Mr. GAYDOS. Dr. Murphy.

Dr. MURPHY. Members of the panel, good morning. My name is James Murphy and I am President of Yorktowne Business Institute in York, Pennsylvania. I too appreciate the opportunity to appear before you to discuss the importance of the reauthorization of the Higher Education Act.

This morning, I would like to describe for you two areas in which my institution has been particularly successful, and of which I am quite proud: placement of graduates and management of the student loan payments.

First, Yorktowne Business Institute offers associate degree programs in Computer Information systems, Accounting, Management, Secretarial Studies (including Executive, General, Legal and Medical), General Business Clerical studies and programs for receptionists and data entry clerks as well as travel agents. We have had great success in placing graduates from all these programs with employers in south central Pennsylvania. Over the last year, we have successfully placed 95 percent of all graduates and since 1976 approximately 1500 area residents have graduated from YBI and now constitute a significant representation in our local work force.

An aspect of our programs which makes our students particularly attractive to employers is our externship program, which offers 240 hours of on-site work experience in conjunction with classroom work. Only students who maintain a 2.5 grade-point average are eligible for this program. Although they do not receive pay for the work they do in this program, they do receive 4.5 hours of credit towards their degree. About 85 percent of our students choose to participate in the externship.

I would like to describe for you the experience of one of our extern graduates and I would also like to enter this as a profile of this graduate from the York Sunday News.

Until 2 years ago, Carol Kertzel had held few jobs throughout her marriage other than driving a bus and a short stint as a court clerk more than 12 years ago. Her divorce forced her to assume the role of family breadwinner, an intimidating prospect for a 41-year-old mother of four who had not been to school in 24 years. She knew she had to earn more than a minimum wage, but she did not have the education or work experience she needed to get a well-paying job.

Having heard about Yorktowne Business Institute and having taken an interest in computers through playing with her kids' home computer, Carol called YBI and enrolled in our computer information systems program. Carol took classes through the summer, worked several part time jobs and completed a 240 hour externship at Rutter's Dairy. She completed her degree in 18 months and now has a full time job working with computers at Ettline Foods which is a wholesale food distribution firm in York, and she was also able to give up her part time job that she once held to support her family.

Carol's story is fairly typical of her classmates at Yorktowne Business Institute. She chose YBI because it was small at that time, 200 students, friendly and supportive, which is what she needed. Non-traditional student covers a wide range of circum-

stances; single parent, displaced homemaker, unemployed head of household. The Federal financial aid program was designed to help this group. Thanks to Title IV programs, Carol is now a taxpayer, not a tax user. I have included other cases of successful attendees and graduates with this testimony.

YBI serves a wide range of students of all ages and circumstances here in south central Pennsylvania. We place a strong emphasis on helping our students look for potential jobs before they graduate. Nearly 40 percent of our externs are hired by the company where they worked during their externship; but even if they are not, that 6 weeks of work experience is a plus on their transcripts and resumes.

Some of our graduates have not graduated from high school. To serve these students, we offer GED programs in conjunction with a local intermediate unit.

In addition, and perhaps because of our high placement rate, we have been able to hold our default rate at 3.4 percent. That low rate is partially a result of our graduates' ability to secure jobs with an average starting salary of $14,000. The population we serve, while hardly wealthy, comes from a working class background and frankly, they do not contend with the difficulties experienced by graduates from our colleague's schools in predominantly urban and low income communities. Most of our students come from supportive families and communities and many have worked some time and are seeking to improve their career prospects rather than start a new one and many students work part time as they pursue their degrees at Yorktowne Business Institute.

Our administrators have attended NATTS- and AICS-sponsored default management workshops and we have adopted many of the default management initiatives. Whether our students are fresh out of high school or older students who have been working for several years, their student loans are often the first loans that they have taken out in their own name. All of the forms and regulations and payment schedules can certainly be bewildering, so our financial aid officer makes sure that our students understand their rights and responsibilities as loan recipients.

As you consider the reauthorization of the Higher Education Act, please think of all the students who depend on your actions. The decisions you make could mean the difference between pursuing an education or not, for many students. I also urge you to restore better balance between grants and loans so students are not discouraged from even beginning their postsecondary education. I hope you will review the student loan process and simplify procedures that are overly complicated and sometimes intimidating, to improve the effectiveness of the financial aid programs.

YBI serves students who are not in the market for a traditional degree. They come to our institute with a practical, career-specific education in mind and they often cannot afford to set aside the 4 years of their lives to pursue a broad liberal arts education. They are people who want to start their working careers earning a decent wage. They are people who have been in the work force for some time or people who have been out of the work force and want to re-enter in a better position than the one they left. They leave Yorktowne Business Institute and move immediately into the

workplace where they receive strong praise and support from their employers. The basis for that praise is the postsecondary education that they have received at Yorktowne Business Institute.

Thank you for this opportunity to share with you our views.

[The prepared statement of Dr. Jim Murphy follows:]

Testimony Before the
Subcommittee on Postsecondary Education
Committee on Education and Labor
U.S. House of Representatives

by

Dr. James Murphy
Yorktowne Business Institute

Monday, June 3, 1991
10:00 a.m.

Carlisle, Pennsylvania

Representative Goodling and members of the Subcommittee, good morning. My name is James Murphy, and I am president of the Yorktowne Business Institute in York, Pennsylvania. Today I am here representing my school and Pennsylvania Skills 2000, a statewide coalition of private career school and college officials, employers, public officials, students, graduates, and other citizens. We joined together because we are concerned about the future of our nation's postsecondary educational system's ability to prepare today's students for tomorrow's workforce. I appreciate the opportunity to appear before you today to discuss the importance of the reauthorization of the Higher Education Act.

This morning, I would like to describe two areas in which my school has been particularly successful and of which I am quite proud: placement of graduates and management of student loan payments.

Yorktowne Business Institute (YBI) offers programs in Computer Information Systems, Accounting, Management, Secretarial Studies, (including Executive, General Business, Legal, and Medical Secretaries), General Business Clerical Studies, and programs for Receptionists Data Entry Clerks and Travel Agents. We have had great success in placing graduates from all of these programs with employers in South Central Pennsylvania. Over the last year, we have successfully placed 89% of our graduates in jobs related to their majors and 95% of all graduates in jobs. Since 1976, approximately 1,500 area residents have graduated from YBI and now constitute a significant representation in our local workforce.

An aspect of our program which makes our students particularly attractive to employers is our Externship program, which offers 240 hours of on-site work experience in conjunction with classroom work. Only students who maintain a 2.5 grade-point

average are eligible for the program. Although they do not receive pay for the work they do under this program, they do receive 4.5 hours of credit towards their degree. About 85% of our students choose to participate in an Externship.

I would like to describe the experience of one of our Extern graduates, and I would also like to enter a profile of this graduate from the York Sunday News into the record.

Until two years ago, Carol Kertzel had held few jobs throughout her marriage other than driving a bus and a short stint as a court clerk more than 12 years ago. Her divorce forced her to assume the role of family breadwinner, an intimidating prospect for a 41-year-old mother of four who hadn't been to school in 24 years. She knew she had to earn more than a minimum wage, but she didn't have the education or work experience she needed to get a well-paying job.

Having heard of Yorktowne Business Institute on the radio and having taken an interest in computers through playing with her kids' home computer, Carol called YBI and enrolled in our Computer Information Systems program. Carol took classes through the summer, worked several part-time jobs and completed a 240-hour externship at Rutter's Dairy. She completed her degree in 18 months. She now has a full-time job working with computers at Ettline Foods, and she was able to give up the part-time jobs she once held to support her family.

Carol is a typical example of our students. When people think of postsecondary education, chances are they think of high school graduates going directly into a traditional four-year college. This is an incomplete picture of the postsecondary student population.

Just as Carol's life changed dramatically, so too has the

postsecondary education student population. Today's students tend to be older, many are seeking postsecondary education after not having been in a classroom in a long time. The average age of our students is 25. Many of our students, like Carol, graduated from high school some time ago and are returning to school to gain new skills to enable them to secure well-paying jobs to support themselves and their families.

Another case is Ann Marie Mattern, a graduate of Yorktowne Business Institute. In 1985, Ann's life was at a stand-still. Her medical technician skills were out of date because of her absence from the field while her children were young. She was laid off from her seasonal job as a flower arranger, and her next seasonal period was some months away. In February 1985, Ann Marie realized that unless she got some additional and contemporary training, her life would be this endless cycle of hires and layoffs.

She then decided to enroll at Yorktowne Business Institute. Money was in short supply and her own resources were limited because of family responsibilities. She obtained a federal guaranteed loan to cover her education costs and, because of this loan, she was able to afford dependable transportation, books, lunch money, and other expenses she incurred during her training period at Yorktowne Business Institute.

In May 1986, Ann Marie graduated from Yorktowne Business Institute as a legal secretary with an Associate Degree. In contrast to her circumstances a short 15 months ago, Ann now had three job offers from local law firms. Because she now saw a new career path set before her, she took a position that as a paralegal. Ann is now about to complete her paralegal training and, plans to apply to Weidner University Law, intending to begin classes there in the Fall of 1991.

Ann's story is fairly typical of her classmates at Yorktowne Business Institute. She chose YBI, because it was small (200 students), friendly, and supportive -- which is what she needed at the time. Non-traditional students come from a wide range of personal circumstances: single-parent, displaced homemaker, unemployed head of household. The federal financial aid program should also help this group. Thanks to Title IV programs, Ann is now a taxpayer, not a tax user. I have included other cases of successful attendees and graduates with this testimony.

YBI serves a wide range of students of all ages and circumstances here in South Central Pennsylvania. We place a strong emphasis on helping our students look for potential jobs before they graduate. Nearly 40% of our externs are hired by the company where they worked during their externship; but even if they are not, that six weeks of work experience is a plus on their transcripts and resumes.

In addition to, or perhaps because of our high placement rate, we have been able to hold our default rate to 3.4%. That low rate is a result of our graduates' ability to secure jobs with an average starting annual salary of $14,000. The population we serve, while hardly wealthy, comes from a working class background, and, frankly, they do not contend with some of the difficulties graduates from our colleagues' schools in predominantly urban low-income communities. Most of our students come from supportive families and communities, many have worked for some time and are seeking to improve their career prospects rather than start a new one, and many students work part-time as they pursue their degrees.

We have also adopted many of the default management initiatives which you heard about when National Association of Trade and Technical School (NATTS) President Stephen Blair testified before your subcommittee last month. As you know, he

spoke on behalf of NATTS and the Association of Independent Colleges and Schools (AICS), the nation's two largest organizations representing private career colleges and schools. NATTS and AICS together represent more than 2,200 institutions that are educating nearly 1.5 million students in 130 different career-specific fields.

Our administrators have attended NATTS- and AICS-sponsored default management workshops, and we use the NATTS and AICS manuals and videos in our student counseling. Whether our students are fresh out of high school or older students who have been working for several years, their student loans are often the first loans they have taken out in their own name. All the forms, regulations, and the payment schedules can be bewildering, so our financial aid officer tries to help our students understand what their rights and responsibilities are as loan recipients.

As you consider the reauthorization of the Higher Education Act, please think of all the students who depend on your actions. The decisions you make could mean the difference between pursuing an education or not for many students. I urge you to restore a better balance between grants and loans so students aren't discouraged from even beginning their postsecondary education. I hope you will review the student loan process and simplify procedures that are overly complicated, and sometimes intimidating, to improve the effectiveness of financial aid programs.

YBI serves students who are not in the market for a traditional four-year baccalaureate degree. They come to our school with a practical, career-specific education in mind, and they often cannot afford to set aside four years of their lives to pursue a broad liberal arts education. They are people who want to start their working careers earning a decent wage. They are people who have been in the workforce for some time or people who

have been out of the workforce and want to re-enter in a better position than the one they left. They leave Yorktowne Business Institute and move immediately into the workplace where they receive strong praise and support from their employers. The basis of that praise is the postsecondary education they have received at Yorktowne Business Institute.

Thank you for the opportunity to share my views with your subcommittee this morning.

June 23, 1990

Decades after quitting school to start a family,

York Daily Record

Wrightsville woman gets GED

By VANESSA WINANS

[illegible]

Mrs. Gape, born on a hog farm in rural, said she quit school in 11th grade to get married and have a baby.

Being more [illegible] important than [illegible] the Wrightsville resident explained [illegible] a while.

During the next several years, she was a [illegible] wife. She said she didn't have time [illegible] for pursuing hobbies, work, including [illegible] part-time [illegible] cooking for 12 workers at a time during the harvesting season, milking cows, tending houses, [illegible] to continue rearing four children.

"I worked hard," she said. "My children would go to bed, and there I'd be up at 5 o'clock in the morning, getting [illegible] three and a half hours of sleep a night every now.

After her children grew up, she worked in shoe factories and as a spot welder before taking a job 22 years ago as a waitress at Eph Industries in Lower Windsor Township.

But she never lost the urge to learn. "I read anything I can get my hands on," she said — and that diploma was always in the back of her mind. And when her employer offered her the chance to go to school and get her G.E.D., she took it.

The great-grandmother started attending classes each Monday and Thursday night last July, finishing last week.

[illegible]

We had to write an essay on [illegible] drinking and why the legal age should be 21. ... She received a B. I think that's a good effort," she said, smiling with satisfaction.

She said she did not enjoy homework, and the math [illegible] the last week.

Eng. Algebra ... ugh!" she said. "You [illegible] them.

Algebra and homework aside, she wants to continue her education at Eph Industries, either a computer course, she said, or [illegible].

Now that she's finished the G.E.D. course, Mrs. Gape finds herself at loose ends.

I was at home Monday night and I didn't know what to do with myself," she said. "I miss school. I have to go to school.

Adie Gape

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HAPPY TO HELP

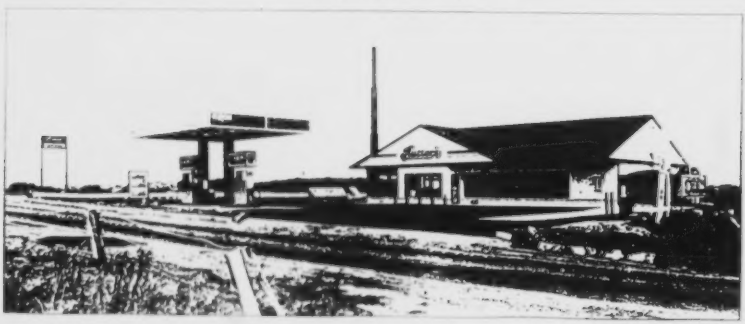
Although Rutter's has grown to include five companies, it has not lost the "family" concern for individuals. That may be one of the reasons Rutter's cooperates with the Yorktowne Business Institute in its Externship Program.

A happy recipient of Rutter's willingness to help is Carol Keitzel, a recent graduate of YBI. Rutter's provided the job setting for Carol to complete her 240 hours of job experience.

As a recently divorced Mother of four — and 43 years old — Carol returned to school seeking a better life for herself and her children. While working several jobs she attended YBI days and evening classes as she could.

Under the guidelines of the Externship Program students are expected to work an eight hour day for six weeks. However, one of Carol's jobs was as a school bus driver, a job she couldn't afford to quit. She says, "Seven days a week." Burton Shellhammer, district Rutter's Dairy, management of Carol's work on long days (or seven weeks on that I could still drive bus and they agreed. Rutter's really cooperated. One of the other bus drivers traded her bus run for mine so I could be on the job for 8 a.m. Everyone here went to bat as a team to help me."

We're happy to report that Carol, now armed with her degree and 240 hours of on-site work experience, has obtained a job with Frisine Foods. Rutter's wishes her well. We were happy to help!



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Mr. GAYDOS. I want to thank the panel, and before I forget, the prepared statements are made a part of the record, and that is without objection.

Mr. GAYDOS. Anybody can respond to this, either one of you—how about the lines of communication regarding changes in student assistance programs and the government agencies such as maybe the Department of Education, the Pennsylvania Department of Education, maybe your accrediting agency, all those—what kinds of lines of communication do you have and should it be improved and who gives you the best service? Is that a fair question?

Dr. MURPHY. Congressman, I worked for the Federal Government for 24 years and during that time it was a standard joke when someone says I am from the government, I am here to help you, a play on words. Oftentimes, the—Department of Education in Washington I believe is well-meaning, I believe they have the interests of the students at heart. I also believe that we have the interests of students at heart also, the private career sector. In many cases, the information that they set out to send out to the institution is often so complex, as you know it must go through a review process through the attorney's office of the department before it is sent out to the institutions. We are not lawyers, our financial aid staff does not possess legal degrees, but unfortunately, we must quickly adapt to a particular jargon which emerges from these regulations. The department I think is probably not just the only one guilty of that, but it is primarily—the process itself was established, patterned after the G.I. Bill which we repaid billions of times back into the tax coffers. Now it is so complex that many people are just intimidated from applying for it because it is so complex. The communication is as best it can be, considering the amount of information that they have to send out to us. The drug thing that we have to comply with is a terrible burden. Nonetheless we do it. Communication I would say is best, but like most things it could probably be improved.

Mr. GAYDOS. One question. Is the joke still valid?

Dr. MURPHY. Not really—not really.

Mr. GAYDOS. Changed a little bit?

Dr. MURPHY. It has changed.

Mr. GAYDOS. If you had some recommendations, what recommendations would you give the committee as far as changes are concerned—anybody?

Mr. KROH. I would offer the suggestion to echo the presentations made by some of the panels earlier today. Number one, we do not want an attorney in the financial aid office to have to be able to understand what is going on. And the student who applies——

Mr. GOODLING. Not me.

Mr. GAYDOS. These fellows are all attorneys here, you had better watch yourself. Here is a real authentic educator—I am sorry.

Go ahead, I am sorry.

Mr. KROH. But the point being that when the students' families come in to apply for aid, they just have this total look of helplessness. You know, "I received the application, what do I do now." And by simplifying in any way the process of application for loan or grants and consolidating programs would be a dramatic improvement in the process.

Mr. GAYDOS. I will tell you where they come now, they come to Congressional offices and I think all these gentlemen here will verify that. I get hundreds of them.

Mr. KROH. With a shoebox and their receipts.

Mr. GAYDOS. I tell them not to cheat too.

All right, I just wanted to know from a practical aspect just how the thing was working out there.

You know—Mr. Murphy, you in particular, that I have an extreme sensitivity to the career schools. I toured one down in Pittsburgh and I did not have a concept. It was not the culinary school, which is a good school, it was the Pittsburgh Institute of Arts and I thought it was one of those places where you had questionable models being painted and things like that. But that is not the case at all. They have very close cooperation with local television stations. They fabricate right on site all of the different caricatures and things like that that they have in advertising. They go through an excruciating program, you know, of knowing the background and color designs and things of that nature. The whole course is constituted of like 2½ years, over 2 years, depending on what portion of the course they endeavor to follow and where their interests lay.

I had one member of my family, I have—one of my daughters went to that Bradford School up there. She did not want to go to college, did not want a formal education. She works for a judge today, but all of the career training aspects she acquired from the career school. And she kids her attorney brothers and sisters that she got the better deal. Whether she did or not is questionable but the fact remains that there are individuals in this country that are sincerely desirous of going to a career school, and I think—at least my feeling and I am sure Mr. Goodling shares my feeling—that I think it is desirous upon this committee, to hopefully foster good relationships and to support career schools. Hopefully will not have that stigmatization that it is a cheat, that they are after your money, they flunk you, they misinform you and all those things. I have been to schools down in Florida and out in Arizona, Phoenix, Arizona, the air conditioning schools. I have always asked a very practical question, if these schools do not exist, who is going to train a person for instance to repair and maintain air conditioning. Yes, some of the unions do it, but not every place is unionized. Unions are slipping per se as such and they do not have these training programs. Somebody has to provide that very, very sensitive training.

I have made my speech already and I call up on Mr. Goodling.

Mr. GOODLING. I notice that all three of you have low default rates. I noticed in your testimony it pretty much coincided with Dr. Fritschler's in that students graduate, and they get a decent job. Is that the major reason that you believe you have the low default rates or do you work at it pretty hard in other ways or to what do you attribute it?

Mr. KROH. Well it is certainly not a mistake. As we discussed at the roundtable that you hosted some months ago, I think it was Dr. Ceddia from Shippensburg said that the default rates that our schools have really represent the constituency we serve. Our students are responsible and I think it just tends to highlight the

socio-economic aspects and complexity of the whole default issue. Our rates are low, we have implemented—I think I can speak for all three schools, but I know certainly at my school, we have taken the default management initiatives very seriously. The students in the first course and the last course they have during their two year training program are taught responsibility in terms of personal budgeting, personal planning, being responsible for the choices that they make, and that includes the responsibility to repay their loans, whether they go to work the next day or the next month or elect to continue education—they are responsible. And it is a message that is received by our constituency.

Mr. GOODLING. Mr. Murphy—or Mr. Maley, you mentioned that 40 percent of your students are independent. Do they—do you get many complaints about the complexity—or do you have a problem with determining whether they truly are independent or are not independent with the way in which we have the situation arranged?

Mr. MALEY. Yes, that is one of the problems that we deal with in our financial aid office. I am not a financial aid person and I do not understand it even though I deal with it, but that seriously is a problem, I think probably more so in the past than it is now. I do not know if it has become easier or we have just learned to deal with it, but determining independent/dependent status has been a very complex issue for us.

Mr. GAYDOS. Mr. Petri.

Mr. PETRI. Thank you. I would like to echo the comments of our Chairman, Mr. Gaydos, there are a lot of very well run proprietary vocational schools that fill a real niche and are very important, and do a good job. There are also some that are not so good. There are some public institutions that also take advantage of the system. THis problem is not restricted to the proprietary schools and I do hope that those of you that are doing a very good job and have a high level of professionalism will work with us in trying to set standards that will maintain access, and maintain good proprietary as well as governmental institutions, but will get rid of the people, both public and private, who are trying to game the system and milk the system, because this sort of thing gives us all a bad name when it happens.

I just have one question, maybe the next panel will touch on it, but a number of students have come to me and talked about the timing of Federal loan and grant payments. Evidently they often have to buy books and training materials at the time they enroll, and yet they do not get reimbursement for some weeks after they have been in school. And evidently while the sums are not large, it is a consideration and a barrier for some people who are really trying to scratch out every last dollar and move ahead. Do schools basically take that into account normally and advance this money to students, or is there a need for us to be more conscious of that?

I guess the reason for this is that we want to make sure these students are really enrolled and that they do not just take the money and run.

Dr. MURPHY. It is very difficult to deny a student materials such as books and textbooks when classes are beginning the next day and their financial aid has not cleared. So often we do, we simply

address that issue, the student has applied for financial aid so we give them those books. Again, we are a small institution, we number a little over 300 students, so we know everybody fairly well. We do that and we have had some problems with a local training agency which has had some of its own problems internally about payments and we have not been reimbursed for that. But ultimately we are looking at a group of students who have not rejected the idea of a 4 year college or university but they have never considered themselves—and I do not want to use the word unfairly to them—they do not consider themselves worthy of it.

We have some extremely bright young men and women who graduate from our institution, who go on to 4 year institutions, but they come to us because (1) they are concerned about the size of the institution; (2) they are concerned about the type of care that they will receive while they are there; and (3) the concern of help along the way, a tremendous fear of failure that they have.

We instituted a policy this past year in which the student, if they attend 90 percent of the classes their first term—if they fail those classes the first term, they can take those classes over again at no charge. Now we do not anticipate that it will be huge numbers, but it was to remove that question of fear that comes into their minds.

We all sit around here, you know, oftentimes in a beautiful campus like Dickinson, and we really do not identify with those kids. It is very difficult. They live in a world that oftentimes is difficult to imagine. As you know, Congressman, I spent 5 years in Washington, I am also a product of immigrant parents. I am the first member of my family, as you know, Joe, that got a baccalaureate degree, that got a doctorate. So I can identify with these people.

But they come to you, as one of the other panelists said, fearful and full of trepidation. Now what we can do to eliminate that, I do not know. I think if we make the rules a little bit tighter possibly, we may eliminate some people from it.

I also have done a tremendous amount of reading and research in the field of defaults. And defaults, unfortunately, to my own estimation, is not a condition found in institutions. We have some fine institutions in this State which have high default rates. It is generally associated with the population that attends that institution. That population does not grow up with a certain type of—or come from a value structure which says you get a loan, you pay it back. We give our kids a test, they get a financial aid test, and they are very simple questions. "Do you understand the difference between a loan and a grant?" Yes or no. If you do not, then you have got to take the test again. So there is a kind of aspect which relates to the issue of defaults, it is an issue that is related to our society and our culture.

Our same institution with its extremely low default rate—and it gets lower each year—I am sure these gentlemen can verify that. If we were to place this in New York or Miami or Los Angeles or San Antonio or some other city, it would increase because the conditions—we would not do anything different but it would just be the conditions of the community.

To blame institutions for default rates, I think is certainly correct, but it is not hosted in that vision alone. It is a whole set of circumstances which surround you.

Mr. GAYDOS. Those are all the things that attract students to your universities. Bigger universities attract them by popular football teams, baseball, basketball. The proprietary schools do it through advertising—jobs hopefully.

I was down at Clearwater, Florida, at that time reviewing a truck driving school. And I remember I was addressing the class—in fact they named the class after me, I do not know if that is good or bad, but they named one after me, and there I am talking to one of the students and this happened to be a female and I asked her "Are you sufficiently trained, can you go out on that highway and rattle those trucks along 70-80 miles an hour sometimes?" And she said "Well, I am a little scared, I do not know if I can." And the chief instructor was standing next to me and he said let me tell you, you go right back there and as long as you want to, you go to school and there is no increase in tuition. You go through the practical training end of it—if you go through three times, you can go through.

If I come here to this great institution or the college that I graduated from, if I flunked a course and I want to take it over again, I have got to pay for it. So there are some differences and comparisons and I do have a personal animosity against those that take the unadulterated position that because it is a proprietary or a career school, it is a piece of junk and just second class teaching, because I have seen too much evidence to the contrary. Of course they have their deficiencies too, just like everybody else, just like the big universities today, in misusing and misappropriating funds and research funds, right in my home area down there, Carnegie-Mellon and the University of Pittsburgh, Stanford and all over the country. So things happen and I just hope they do not become stigmatized because of a few bad apples in the barrel. We have been fighting that in the committee and I know that Bill Goodling agrees with me fundamentally, but there are some members of the committee that just are adamant, absolutely adamant against that type of a school.

Mr. Gunderson.

Mr. GUNDERSON. One quick question, gentlemen. The administration has proposed a minimum 600 hours in order to be eligible for student financial aid. Would that affect any of your school programs?

Dr. MURPHY. Not us.

Mr. GUNDERSON. Okay.

Mr. GAYDOS. No further questions, I want to thank the panel. I am going to be looking at your statement very thoroughly because I think that you have to be heard. I am very happy that you appeared here today.

The Chair now calls the last panel, panel four consisting of Ms. Griswold, Assistant Vice President for Student Financial Aid at Penn State; Mr. John Rebert, Director of Student Financial Aid, Yorktowne Business Institute; Mr. Ronald Shunk, Director of Financial Aid, Gettysburg College; Mr. Evans, Deputy for Loan Division, Pennsylvania Higher Education Assistance Agency and Mr. John Koopman, Vice President, PNC Financial Corporation.

Welcome to the panel and without objection, your prepared statements are made part of the record. You may summarize your testi-

mony if you wish, get into a colloquy with the members, shorten it, or any way you want to do it. And the privilege should I think begin from the left here with Ms. Griswold.

STATEMENTS OF ANNA GRISWOLD, ASSISTANT VICE PRESIDENT FOR STUDENT FINANCIAL AID, PENNSYLVANIA STATE UNIVERSITY, UNIVERSITY PARK, PENNSYLVANIA; JOHN REBERT, DIRECTOR OF STUDENT FINANCIAL AID, YORKTOWNE BUSINESS INSTITUTE, YORK, PENNSYLVANIA; RONALD SHUNK, DIRECTOR OF FINANCIAL AID, GETTYSBURG COLLEGE, GETTYSBURG, PENNSYLVANIA; JAY W. EVANS, DEPUTY FOR LOAN DIVISION, PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY, HARRISBURG, PENNSYLVANIA AND JOHN KOOPMAN, VICE PRESIDENT, PNC FINANCIAL CORPORATION, PITTSBURGH, PENNSYLVANIA

Ms. GRISWOLD. Thank you, Mr. Gaydos——

Mr. GAYDOS. Get close to that mike there so we can hear you.

Ms. GRISWOLD. Okay.

Mr. GAYDOS. Thank you.

Ms. GRISWOLD. Chairman Gaydos, Mr. Goodling, my name is Anna Griswold, I am the Assistant Vice President for Student Financial Aid at Pennsylvania State University. Thank you for the opportunity to present my views on the reauthorization of the Title IV student aid programs today, and I also wish to thank all of you for your interest and your strong commitment in the participation of this reauthorization process and especially with regard to your support for the student aid program.

Penn State is a large land grant institution. We serve over 70,000 students distributed across Pennsylvania at some 21 campuses. We enroll students from all economic levels, students who we believe represent a microcosm of many of the students across this nation who seek postsecondary educational opportunities and those students that are being served by the program, so we think our views are fairly representative of many of the students out there seeking opportunities. To bring about a renewed national commitment to postsecondary education, we believe that several important issues must be addressed and I would like to present several of those to you today.

First, we believe that there must be strong accountability to ensure greater program integrity in the student aid programs. Management of the programs is complex and expensive at all levels of administration. Funding should be earmarked perhaps for the Department of Education to work in increased partnership with us to provide greater oversight and more program reviews if necessary. At the same time, we must increase the efficiency in the way we manage the programs at various levels and we believe that there are ways that we can reduce waste. Many times, regulations which are developed are developed for the purpose of correcting deficiencies. We believe that it is important that such regulations when applied to institutions should be focused at those in which those deficiencies are prevalent. We spend much of our time implementing regulations which seem to serve no real purpose in the ac-

complishment of a corrective action because a deficiency in a particular area does not exist.

We would urge that perhaps you take a look at the Department of Education's Institutional Quality Control Project as one model for achieving greater accountability in program management.

A second issue that we would like to see for consideration in this reauthorization simply has to do with increased funding in the student aid program to enable more dollars to reach middle income families. We believe that not enough of these families are being served and that the loan burden for middle income students is too great.

In 1978–1979, a middle income family probably considered to be at an income level of about $25,000, was able to receive a Pell grant. That same middle income family today, given today's dollars would have an income that looks more like $43,000 and not too many students at that income level are being served by the Pell grant program.

Over half of the some 38,000 students, dependent students, who apply for financial aid at Penn State come from family incomes—over half of that 38,000 come from family incomes between $25,000 and $55,000. We believe that these families consider themselves to be middle income. If we took the lowest band in that income range, the $25,000 to $35,000 income group, at Penn State we would find around 7,000 families. Only one-third of this population is receiving a Pell grant and the value, the average value of that Pell grant is only paying about nine percent of the total cost of education at Penn State.

Let me deviate for a moment to the issue of loan grant imbalance and suggest that families in that income band, $25,000 to $35,000, a student's average loan indebtedness for one year would be right around $2,800. If costs for a 4 year period did not increase and if student aid dollars remained stagnant, a student in that income, that lower level of the middle income range, would have received for 4 years of study at Penn State, Pell grant dollars that would cumulatively have totaled $3,656, yet would graduate with a loan indebtedness of $11,256.

We believe that restoring greater participation of more middle income students will help restore taxpayer confidence in the system.

A third area that we would like to talk about is the application process and the existence of a dual need analysis system. Both of these are too complex. We must create a system that makes greater sense to the public and eliminate the barriers that in fact exist in such a system. We endorse the NASFAA document entitled "Plan for Reform" which seeks to achieve much greater simplification throughout the delivery of student aid and at the same time seeks to retain equity in distributing funds to both low and middle income students. If time permits, I would be happy to answer any questions about that model and to review with you what it can achieve in the area of simplification.

A fourth area that we believe requires strong attention during this reauthorization is strengthening of the Pell grant program. Of all the student aid programs, this one heralds the Nation's commitment to postsecondary educational opportunity, perhaps more than

any other program it sends a message. Funding has indeed eroded over the past decade in this program.

We believe that the only way to correct the loan/grant imbalance is to increase funding. Individual grant awards must be increased and more middle income families must be included in the Pell grant program.

In 1978–1979, an $1,800 maximum Pell grant award would have covered 38 percent of the cost of education for a student at Penn State. In 1991–1992, we anticipate that a maximum $2,400 Pell grant award will only cover 22 percent of the cost. Institutions have worked, and we can document at Penn State, efforts to develop institutional need-based grant programs to try to make up for some of this loss, but we cannot do it alone.

We do not believe that the answer to this has to be the serving of one group, any one group of those students who seek postsecondary educational opportunities, at the expense of another group. Sustained Pell grant funding for the entire undergraduate period or period of study for an individual student's program is necessary to ensure retention, especially for our high need and at risk students who we support sustained funding over 4 years as opposed to trying to correct loan/grant imbalance with shifting funding among different populations of students or among different years of study in a given program.

The final point that we would like to bring out centers with a close look that we believe needs to be taken with respect to the Stafford loan program. As more and more of our students are seeking this important program as their means of support to pay for college costs, I am getting concerned as we are directing more and more loans to high need students as well as middle income students, that we are charging students in the form of origination and insurance fees, the costs to run this program. There are so many players involved in the Stafford loan program and in the delivery process, it does not at all contribute to goals of simplification and does add a complexity to the process.

Again, the reliance of high need students from low incomes on significant borrowing, we also believe contributes to the default situation. We believe that increased Pell funding on the one hand can alleviate the default situation for some students in those low income categories, but at the same time providing a more meaningful and easy to understand and direct delivery of aid for students in the form of a more efficient national student loan program. Recently the idea of a direct loan program has been introduced. I think there is merit to be considered as we look for the achievement of efficiencies and greater accountability in the operation of large student loan programs.

We believe that with regard to these issues, that there are viable solutions and that we have to be creative and very bold in finding ways to fully fund student aid programs to meet the objectives and to solve some of the issues that we are bringing up.

Every day as we talk with families who want the best for their student, how can we not help them try to find realistic ways to realize their dreams? I think it is important that we keep the programs viable. Over the years they have proven to be very effective. For every dollar spent in student aid, there has been a return of

four dollars to the tax base and I think that that is an investment well worth continuing, one that we cannot turn our back on.

I urge your continued close look at these issues. We will be happy to provide further information or answer any questions as time permits regarding my remarks.

Thank you for the opportunity to be here.

[The prepared statement of Anna Griswold follows:]

STATEMENT BEFORE THE HOUSE SUBCOMMITTEE ON POSTSECONDARY EDUCATION:

REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

ANNA M. GRISWOLD

ASSISTANT VICE PRESIDENT FOR STUDENT FINANCIAL AID

THE PENNSYLVANIA STATE UNIVERSITY

JUNE 3, 1991

DICKINSON COLLEGE

CARLISLE, PA

Chairman Ford, I am Anna Griswold, Assistant Vice President for Student Financial Aid at The Pennsylvania State University. It is my pleasure and privilege to speak to you this morning. The opportunity to express my views and Penn State's interest in this upcoming Reauthorization of the Higher Education Act is indeed a most important opportunity.

As a practicing student aid professional with 20 years of experience and service at three different types of colleges and universities, I see serious concerns emerging about our country's commitment to funding postsecondary education. Major attention and changes in higher education funding and structure are needed. I am here today to speak to this problem.

We have a significant chance to turn the tide, alter the course of potential disparity for our children, for adult learners and their futures in this country. We must be bold as we begin this last decade of the twentieth century and vow to ensure educational opportunities for our citizens so that they can lead meaningful and productive lives. We urge a renewed national commitment to postsecondary education.

Penn State, is a large land-grant institution. We enroll close to 70,000 students at 21 campus locations across Pennsylvania. Our students represent all economic levels; we have many faces and varied backgrounds. We are a microcosm of many segments of the population who seek postsecondary educational opportunities. Thus our interests cover a broad spectrum of issues related to Title IV student aid programs.

Our goal is to help families secure funding to educate their children. Federal government funding has not kept pace over the last decade in supporting this goal as a result of the deficit that we all carry on our shoulders. But, taking away the tools for educational access from our citizens will not correct the budget deficit problem.

I would like to present several important issues for you to consider as you proceed with your role in this most important process.

Accountability and Program Integrity

Management of student aid programs has become increasingly complex and expensive for institutions. Institutional accountability for regulatory compliance is difficult. Specific standards for the achievement of quality program administration at all levels should be established.

It is time to earmark funding for the Department of Education to provide meaningful oversight and program reviews. The goal of oversight and review should be to assist institutions to meet the standards of quality program administration.

The Department of Education's Institutional Quality Control Pilot Project is one effective mechanism currently in operation that achieves high quality management and thus increased accountability. Clearly, at a minimum, institutions that reach a level of administrative standards deemed adequate to insure accountability should be excluded from the burden of across-the-board regulations intended to correct deficiencies. Too often we are implementing regulations which serve to correct deficiencies that do not exist at our institution.

Let me provide at least one example. We are required to delay Stafford Loan disbursements to all new students who are first time borrowers. This is intended to reduce default rate in the Stafford Loan Program. Penn State's default rate is less than 3%. To implement this regulation, we encountered "costs" all along the way. Extensive system programming was needed to identify the affected population and introduce new system edits to delay the disbursements. Significant staff time was devoted to explain this regulation and delay to confused students in need of their loan proceeds. And a demand, beyond capacity, was placed upon our institutional short term loan fund. Penn State data does not show that we have a significant drop-out rate by new students in the first 30 days of enrollment. Staff time and resources could more effectively be redirected to increased counseling efforts and participation in early awareness activities.

Availability of Student Aid to Middle Income Families

A key issue creating public tension in the student aid system today is the lack of financial aid to adequately serve middle income students. All facts and data clearly show that assistance to these students has declined markedly over the past ten years. This decline has resulted in serving low income students at the expense of middle income students. This should not be the case. Both must be served.

In 1978-79 the Pell Grant Program included families with incomes of $25,000, which was considered to be middle income. Adjusted for inflation, that income level today would be $43,500. Very few families at that income level are being served with Pell Grants at Penn State.

We urge Congress to restore public trust and belief in the student aid system. All necessary steps should be taken to eliminate the inequities which lead many middle income citizens to feel that they are excluded from meaningful sources of financial aid.

Assistance necessary to insure access has been made available for most lower income students; and those within high income ranges can meet their expenses through savings or borrowing. It is the dependent, middle-income students and families who are experiencing financial hurtles that are becoming insurmountable. These families are the backbone of the taxpayer population. Yet, many cannot access federal grant assistance at all. The primary assistance available to these families is through the Guaranteed Student Loan Programs. They are frustrated by and disillusioned with the federal student aid programs.

Financial aid applicant data at Penn State shows that over half of our 38,000 dependent applicants have family incomes ranging from $25,000 to $55,000. We believe these families consider themselves to be middle income. Only 28% of the 7,248 families in the $25,000 to $35,000 income level receive Pell Grants. The value of the average Pell Grant for their income band covers only 9% of the cost of education at Penn State. Other need based financial aid is minimally available to serve this "lower middle income" population. The average loan indebtedness in this population is $2,814 a year. If costs did not increase in a four-year period, and if financial aid dollars remained stagnant, a student in this income population would, after four years of study, have received total Pell Grant dollars of $3,656 and would have a loan indebtedness of $11,256.

We need more grant funding to help this largest segment of our college-bound population. To exclude them from our thoughtful consideration and help would be to deny them access since significant loan indebtedness to cover the total cost is a deterrent to many students.

Simplification of the Application Process and Single Need Analysis System

I believe that everyone interested in higher education funding is firmly behind this initiative. We must create an application that is simple to complete and free to the student. This form should ask a question only once for consideration of Pell Grant

and other federal aid programs. Our federal student aid application should be efficient in collecting necessary information without burdening students with a complex form.

We believe major reform is needed in the application and need analysis processes. Indeed, the current system has become a barrier and has eroded public confidence. We need a system that can be understood by the public. We need a model that equitably targets funds to needy students in low and middle income families. Such a system has been developed by the NASFAA Need Analysis Standards Committee and is described in a document entitled **Plan For Reform**. We support the model presented by NASFAA for consideration during this Reauthorization. The model addresses many issues inherent in this topic including:

- the reduction of data collection and elimination of asset consideration for very low income applicants
- the assumption that students/families who have no taxable income or very low income with no tax liability, have no parental contribution available to pay for college [minimal data is needed to established this]
- the issue of independent student definition by elimination of the conditional criteria which adds to the complexity of the application form [A conditional basis for independent classification should be left to the professional judgment of the financial aid administrator.]
- the support of the goal of a free application form and encourage the use of database matches to collect certain information
- the support of the goal of a single system of need analysis for determination of all Title IV financial aid eligibility

Another issue in the need analysis system that warrants reform is the use of home equity (a non-liquid asset) in the calculation of the expected parents' contribution (an expected liquid asset). This does not make sense to the public and is particularly troublesome to middle income families. Models have been proposed for a more equitable method to consider home equity in assessing family ability to pay for education. It is clearly time for Reauthorization to put this issue to rest and adopt a more reasonable model for considering home equity in the formula. We support

a model developed by the College Scholarship Service and endorsed by NASFAA which caps home value at three times the family income.

I have attached a copy of a proposed federal application developed as a part of the NASFAA Plan For Reform document.

Pell Grants

Perhaps no other single program more clearly heralds the message of a national commitment to postsecondary educational opportunity than does the Pell Grant Program. This program, more than any other, can help send the message to today's very young prospective college students (many who are at-risk) that college can be a reality. As a part of early awareness programs developed by many of our higher education institutions, the availability of a strong and sure national grant program is necessary to offering "Certainty of Opportunity" to the citizens of our nation. Several issues are important in consideration of strengthening the Pell Grant Program.

- We believe that the only way to correct the loan/grant imbalance is to expand funding in the Pell Grant Program. We recommend increasing the value of each Pell Grant and extending the grant program further into the middle income bands to be served. At the same time, make loan programs simpler and less costly. Loans should have greater flexibility for repayment and more liberal forgiveness provisions should be included. We accept the role of student loans in helping students pay for college but at the same time we must advance a more positive public perception of loan/grant packages. In addition, we recognize the contribution of the SEOG and SSIG Programs in alleviating the imbalance. However, funding in SEOG and SSIG has also not kept pace with inflation and we are not able to serve all the low income and lower middle income students who seek our assistance.

- We believe that front loading Pell Grants is a well intended idea. However, at an institution like Penn State, this concept may not be best. We currently have packaging strategies in place to serve high need, at-risk students who desire a baccalaureate degree program. The Pell Grant is central to our offering such students a viable financial aid package. We work hard to retain these students through to degree completion. Eliminating or greatly reducing the Pell Grant after two years will clearly interfere with retention efforts. We believe that fully

funding the program should be achieved; several funding models have been proposed. The grant values need to be updated in terms of today's dollar and must be annually adjusted for inflation. In addition, family income levels to be served must be expanded.

- The value of the Pell Grant has declined nationally over the last decade. This has contributed to the imbalance toward loans as well as the decline in public confidence. At Penn State, approximately 14,000 students will benefit from the Pell Grant Program this academic year. This represents only one-third of our financial aid applicants. To correct the imbalance and to restore the meaning of the Pell Grant Program, we must reverse this trend. Schools like Penn State can document efforts that demonstrate our own development of institutional grant programs to help mitigate the growing loan/grant imbalance for our students. However, schools cannot correct the imbalance alone.

  By way of example:

  In 1978-79 the $1800 maximum Pell Grant covered 38% of the cost of education for Penn State students.

  In 1988-89 a $2400 maximum Pell Grant covered 24% of the cost of education for Penn State students.

  In 1991-92 we expect a $2400 maximum Pell Grant to cover 22% of the cost of education for Penn State students.

  The trend is clear.

- In response to the growing number of non-traditional adult learners coming back to college, we recommend that Pell Grants be reinstated to less than half-time students who need help paying for tuition, fees, books and other expenses related to their enrollment. I have attached some compelling data which shows why we must expand the scope of who will be served.

- The issue of making Pell Grant an entitlement to needy students should be addressed. We urge that this program become a true entitlement program. Eliminate the yearly appropriations for this program so that students can rely on this grant to assist them. Base the decision on the financial needs of our

students, not on budget-balancing efforts that occur in Washington each year. The entitlement basis enables us to extend a commitment to the at-risk students whom we encourage to complete high school and prepare for college. Restore the original concept of this important program and send a clear message to students and their families.

Direct Loan Program Concept

Since the Administration introduced the direct loan idea earlier this year, it has been developed and examined carefully by our higher education associations in Washington. The National Association of State Universities and Land Grant Colleges, in particular, has endorsed the creation of a direct loan program to address the problems that are inherent in the current Stafford Loan Program. The American Council on Education and twelve other educational associations have also endorsed the concept.

Penn State endorses the new direct loan concept for the benefit of our students. A single application servicing all aid programs and the reduction of complexity in awarding and disbursing the loan sounds like a noble idea whose time has come. Several considerations stand behind our desire to see a direct loan program.

- As of May 15, 1991, Penn State processed 20, 577 Stafford Loan applications for a total of $ 51.1 million for the 1990-91 academic year. We anticipate that our volume will cap at approximately $60 million by the end of the 1990-91 fiscal year. Our staff, in processing this volume of applications, deal with approximately 390 lenders in the Commonwealth of Pennsylvania alone. If we include out-of-state lenders, the number swells to over 500.

  Although the Pennsylvania Higher Education Assistance Agency (PHEAA) is our primary guarantor, we work with every guaranty agency in the country at one point or another; that is about 50 agencies. In addition, interpretation of regulations is varied and can be multiplied by the numbers that I have just given.

  It is clear that the program administration is burdensome when your objective is to get the loan to students in a timely and efficient manner. When there are so many participants in the picture, what is best for the student gets muddled.

Penn State and other Pennsylvania schools have been luckier than most, having the PHEAA Agency as our working partner in Pennsylvania. However, the majority of schools including Penn State still suffer with the program requirements and the maze of lenders, secondary markets, and guarantors as third parties that are present in the Stafford Loan Program today.

- The current Stafford Loan process is confusing to students and, in part, leads to default outcomes down the road. In today's climate, wherein even needy students are relying on loans to meet growing educational costs, it does not seem right to charge them with origination and insurance fees in order to borrow much-needed assistance. In addition, we urge that any viable student loan program today must address both simplification and a broadening of deferment, repayment and forgiveness options. We should save precious federal dollars and reinvest the savings in grants for our students. We can better serve students by removing the many obstacles embedded in the current program. We must simplify this important and necessary aid program.

- We would like to see private lenders and guarantee agencies continue to assist upper-middle income families with meaningful financing such as the PLUS and SLS programs. To insure that adequate funding is available, current borrowing limits in these programs should be examined. A more appropriate focus, with non-subsidized loans processed by private lenders and need-based loans coming under the Direct Loan model, can be achieved. Through its non-subsidized loan program, PHEAA has been progressive in serving families who do not demonstrate need but who experience financing concerns. The PHEAA model should be examined for possible national adaptation.

Summary

In summary, Penn State recommends that the following goals be achieved in this Reauthorization:

- Broaden the Pell Grant Program to include more needy middle income students

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- Continue the funding in Campus-Based and SSIG Programs
- Restructure the Stafford Loan Program with strong consideration for a Direct Loan Program
- Simplify the application and need analysis processes
- Increase funding levels in the Pell Grant Program to restore value lost to inflation

Over the years student aid has proven effective. For every dollar spent, four have been returned to the tax base. We need to build on that. We must respond to the frustration and very real needs of students and families who want the best. We must restore public confidence and trust in the system by including both low income and needy middle income students alike. Education cannot be for a few; it must be for all. We cannot turn our backs on the responsibility of insuring a strongly educated citizenry.

Thank you for this opportunity to speak to you this morning. We will follow with interest, your efforts and the efforts of Congress, in making this Reauthorization the rebirth of the nation's attention on postsecondary educational funding. We will be pleased to answer any questions and assist in this process as you continue your work.

DRAFT FEDERAL FINANCIAL AID PROGRAM APPLICATION

(Be sure to read instructions first)

Section A: STUDENT INFORMATION

1. Your Name	Last	First	MI
2. Your permanent mailing address (this will be sent to the address. See page 5 for state abbreviations)	Number and Street (include apartment number)		
	City	State	Zip
3. Your Social Security Number ___ - ___ - ___	5. Are you a U.S. citizen? ___ Yes, I am a U.S. citizen ___ No, but I am an eligible noncitizen (See instructions on page 6.) ___ No, or I'm not sure (See instructions on page 6.)	6. Will you have your 24th birthday before July 1, 19XX? ___ Yes ___ No	
4. Your Date of Birth ___ / ___ / ___ Month Day Year		7. In the 19XX-XX school year, will you be enrolled in college? ___ Yes, at least part-time ___ Yes, at least half-time ___ Yes, full-time ___ No	

Section B: ELIGIBILITY FACTORS. Complete questions 8 and 9 about you, the student.

8. Student Eligibility Certifications a. Are you currently in default on any educational loan?	yes ___ no ___
b. Do you currently owe a refund on a Pell Grant or any other federal student grant?	yes ___ no ___
c. Have you ever been convicted of a drug felony?	yes ___ no ___
9. Student Degree Status (using the following five categories, select the one that best describes you, the student.) a. Will you be 24 years or older as of 7/1/XX?	yes ___ no ___
b. Will you be a graduate/professional student during the 19XX-XX school year?	yes ___ no ___
c. Will you be supporting a legal dependent (other than a spouse) during the 19XX-XX school year?	yes ___ no ___
d. Are you a ward of the court or an orphan?	yes ___ no ___
e. Are you a veteran of the U.S. Armed Forces? (see the next page for "veteran" definition)	yes ___ no ___

- If you, the student, answered yes to one or more of questions 9a, 9b, 9c, 9d, and 9e, then you (the student and your parent(s) must complete both columns A and B. Column B
- If you, the student, answered no to all of questions 9a, 9b, 9c, 9d, and 9e, then you (the student and your parent(s) must complete both columns A and B. You should begin with question 13. your parents should begin with question 15. (If your parents are not now living together, please read the instructions on the definition of "parent" (page 5) before completing the rest of this form.)

	Column A Student (and Spouse)		Column B Parent(s)	
10. Are you currently receiving welfare, AFDC, or public assistance benefits (do not include food stamps or SSI)? If "yes" in either column, GO to Section D. If "no," you must complete remainder of form.	yes ___ no ___		yes ___ no ___	
11. Number of family members in 19XX-XX				
12. Number of family members (excluding parents) in college who are enrolled at least half-time at 19XX-XX				
13. Current marital status (check only one item per column) a. unmarried (single, divorced, or widowed) b. married c. separated	a. ___ b. ___ c. ___		a. ___ b. ___ c. ___	
14. Will you be eligible to receive welfare or certain benefits in 19XX-XX? (Do not include food benefits.) If yes, how much will you receive per month?	yes ___ no ___ $			
15. Did you receive untaxed social security in 19XX? If yes, how much was received in the 19XX year (12 months)?	yes ___ no ___	$	yes ___ no ___	$
16. Did you receive child support in 19XX? If yes, how much was received in the 19XX year (12 months)?	yes ___ no ___	$	yes ___ no ___	$
17. Did you receive any other untaxed income, wages, or benefits in 19XX? (see instructions before completing) If yes, how much was received in the 19XX year (12 months)?	yes ___ no ___	$	yes ___ no ___	$
18. 19XX Adjusted Gross Income from IRS Form 1040, line XX; From 1040A, line XX; From 1040EZ, line XX, or net income		$		$
19. a. 19XX income earned from work by Student b. 19XX income earned from work by spouse	$ $		$ $	

147

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	Column A Student (and Spouse)	Column B Parent(s)
20. 19XX total number of exemptions from IRS Form 1040 line XX, Form 1040A line XX, Form 1040EZ line XX, or see instructions		
21. 19XX U.S. Income Tax paid from IRS Form 1040 line XX, Form 1040A line XX, Form 1040EZ line XX	$	$
22. Total income (add items 15, 16, 17, and 18)	$	$
23. Indicate which of the following or the correct statement concerning you, your spouse, and your parent(s) (if applicable) tax filing status: a. A 19XX federal tax return will be filed but you may not. b. A 19XX federal tax return Form 1040 has been completed. c. A 19XX federal tax return Form 1040A or Form 1040EZ has been completed. d. A 19XX federal tax return will not be completed or filed.	a. ____ b. ____ c. ____ d. ____ Continue with item 24.	a. ____ b. ____ c. ____ d. ____ If you checked item 23c or 23d above and the answer to item 22 is $30,000 or less, skip to Section G. If you completed item 23c or 23b, continue with item 24.
24. Total amount of cash, savings, and checking accounts	$	$
25. Home - what it is worth today Home - what it owed on it today	$ $	$ $
26. Business - what it is worth today Business - what it owed on it today	$ $	$ $
27. Farm - what it is worth today Farm - what it owed on it today	$ $	$ $
28. Other investment(s) - what it is worth today Other investment(s) - what it owed on it today	$ $	$ $

Section G. SPECIAL CIRCUMSTANCES

Use this section to identify yourself as having special circumstances such as a loss of income or benefits or a change in family circumstances (for example, death, divorce, disability, or return of a parent with a substantial reduction in income), please provide full details by writing directly on the financial aid officer in each of the colleges to whom you are applying.

29. Will you be providing information on special circumstances? Yes ____ No ____
If yes, please provide full details by writing directly to the financial aid officer in each of the colleges to which you are applying.

Section D. COLLEGE RELEASE AND CERTIFICATION

30. You may have the results of this form sent to three colleges in 19XX-XX. List the name of the college(s) you want results sent to:

Name of College/Exam Address/City/State/Zipcode

Name of College/Exam Address/City/State/Zipcode

Name of College/Exam Address/City/State/Zipcode

I, the student applicant, certify that I will use any money I receive as the Title IV student financial aid programs only for expenses related to enrollment at the college(s) I enroll in during the 19XX-XX school year. All of the information on this form is true and correct to the best of my knowledge. If taken by an authorized official, I agree to give proof of the information that I have given on this form. I realize that this proof may include a copy of my U.S. federal or local income tax return. I realize that, if I don't give proof when asked, this student may not get aid.

I authorize the information given on this application form to be released to the Exam sponsor based on the Department of Education, and the appropriate state student assistance agency.

Student signature _____ Date _____ Student state of legal residence _____
(Required)

Spouse signature _____ Date _____
(Required if married)

Parent signature _____ Date _____ Parent state of legal residence _____
(Required if parental information is included on this form.)

PENNSTATE

Office of Student Aid

(814) 865-6301
314 Shields Building
The Pennsylvania State University
University Park, PA 16802

Data pertinent to discussion of the need for financial aid to serve the part-time, returning adult students

- Nationally 41 percent of students working toward undergraduate degrees in 1990 were part-time students. During the last 20 years, part-time enrollments increased by over 100 percent, compared to 32 percent for full-time enrollments.

- Over 29 percent of students enrolled in credit courses at Penn State campuses, and 11 percent of those at University Park, are 25 years of age or older. At individual campuses, adults constitute as much as 65 percent of the student population.

- The higher education community has responded to the needs of the older, part-time student population by extending hours of support services (e.g., libraries, counseling), adapting admissions and registration procedures, and preparing faculty to accommodate adult learning styles. We have not been as progressive in adapting student aid procedures.

- Of new jobs created between 1985 and the year 2000, 52 percent will require education beyond a high school diploma; 30 percent will require a college degree. Higher education must prepare the work force for this shift.

- Some corporations now allow workers to spend as much as 25 percent of their time pursuing learning opportunities. Thus employed adults are able to become part-time students while supporting themselves and their families.

- Technology is enabling higher education to accommodate the location and time constraints faced by adult learners. Course content, not delivery method, must be the determinant in course evaluation.

Mr. SHUNK. Chairman Gaydos, Mr. Goodling and other subcommittee members, my name is Ron Shunk and I am Director of Financial Aid at Gettysburg College in Gettysburg, Pennsylvania, just about 30 miles down the road. I first wish to say that I am pleased to have the opportunity to offer testimony before the Subcommittee on Postsecondary Education with regard to the reauthorization of the Title IV aid programs, which are so vital to students pursuit of higher education.

I will throw in a little additional commentary perhaps to locate my institution, that we are an institution that is private and independent, similar to Dickinson but not identical. And we have about a 2100 student enrollment currently.

I perhaps will begin my testimony by offering an opinion that for the most part I believe that the Title IV aid programs function reasonably well. Although they represent a smaller portion of the total Federal budget for Federal financial assistance, I believe that the campus based programs function particularly well. Financial aid professionals at institutions throughout the country are able to utilize those campus-based programs on the basis of financial need analysis and professional judgment decisions to meet the needs of students and their particular institutions. And although there are refinements that might enhance the programs, the Stafford student loans and Pell grant programs seem to meet student needs in a reasonably efficient manner. I say that especially because I find it somewhat troubling that recent publicity in the form of quotes would tend to indicate that virtually none of the major components of the Stafford program are working efficiently and effectively. I do not believe that to be the case for the large majority and it is certainly not the case in Pennsylvania and I think that is largely through the efforts of the Pennsylvania Higher Education Assistance Agency and the program that it operates in the student loan area to help ensure a low default rate in this State.

I do not know if I said it, but I should also indicate that Gettysburg College has a very low default rate, so we are pleased with that as well.

Since I have already mentioned Stafford loans, I want to make some additional comments about the program. While I recognize that the program has some major problems; namely, high default rates among some institutions, there is evidence that there are many States, banks, institutions of postsecondary education, parents and students who take those loan obligations seriously and meet the commitment which each has undertaken in the program. I think especially here in central Pennsylvania and other parts of this State, the work ethic is very prevalent and a part of that ethic is honoring the commitments, such as loan obligations, that people undertake. And I think that helps contribute to the low default rate at institutions like mine, Dickinson, others that have testified and the State of Pennsylvania in general.

The Stafford loan program should continue, in my view, and while I recognize the need for students to carefully weigh loan obligations that are undertaken, I believe that for the program to be of maximum service in relation to the continued escalation of education costs, the maximum amounts of borrowing per year are in need of being raised to new levels. I have seen proposals of loans of

$3,500 to freshman and sophomore students and up to maybe $5,000 in the final years of undergraduate education, and those amounts seem to be about appropriate to me. And I place that in perspective of the fact that I personally helped secure an education through that program, and 25 years ago when I had my last loan, the amounts were only about $125 to $1,500 different from what they are now.

To conclude on the topic of Stafford loans, I can indicate that the idea of restructuring the program by capital contributions from the Federal Government to educational institutions is not one that I am convinced is an effective solution. Additionally I would not favor the replacement of Stafford loans with sizable grants during the first 2 years of a student's postsecondary education enrollment, then reverting to loans for the final 2 years. I think that a program such as that seems to present a negative reinforcement to students, those who are doing well and persist, and in a sense it smacks of the kind of bait and switch financial aid packaging that some institutions already receive accusations about.

Students and families seem to need a steady state of planning over the length of the educational program, so I think that to start with a grant and replace it with a loan would cause some uneasiness on student and family parts.

My absolute final comment on student Stafford loans relates to the administrative burden. The exit/entrance interview requirements and the 30-day delayed disbursement requirement seem to place perhaps an undue burden on those institutions without a default problem. As an incentive for institutions to maintain an already good record or to improve where warranted, the administrative requirements should be abated on the basis of good or improved performance.

Over the years, I have witnessed several changes in the structure of Federal student assistance programs. At many institutions that has not included the alleged inflation of fees to capitalize on Federal aid dollars. Gettysburg College, for example, has experienced both a net decline in Federal aid dollars and a decline in the percentage of Federal monies in relation to total aid to students. The maximum amount of Pell grants to Gettysburg students occurred in 1979-1980 and the maximum level for all Federal aid to students was 1981-1982. Since those years, Federal funds have declined dramatically and college funded financial aid has constituted a larger portion of the total aid dollars.

In the decade of the 1980s, financial assistance to Gettysburg College students has shifted from about 25 percent college-funded aid versus 67 percent Federal aid in 1981-1982, to about 60 percent college funded aid versus 29 percent Federal aid by 1990. National statistics would indicate a similar pattern for other like institutions.

A large part of the reason for that decline in Federal funding is decreased financial aid eligibility for the middle income or middle class families. It is my belief that some relief is warranted for those families. It could come in several different forms perhaps, among those would be the protection of home equity in the need analysis formula that has been mentioned previously by a few other people giving testimony, a loosening of need restrictions for Stafford loan

eligibility, the creation of a national non-subsidized stafford loan program patterned after the very successful PAGA program in Pennsylvania, which would make loan funds available to students if the interest were paid by the family instead of with Federal subsidies for families who are unable to meet the need requirement of the Stafford loan, and perhaps an increase in loan amounts for PLUS loans from the current and long-standing $4,000 per year level.

Although it is possibly outside the province of this committee, the re-enactment of Federal tax deductibility for education loan interest would also help to provide some benefit to families.

It is also appropriate to offer some commentary about the financial aid delivery system. Despite repeated announced attempts over the years about simplification of the delivery system, that has not really occurred. Many parts of the system are either complex or appear to students and parents to be complex. One example is the continued use of a central processor for Pell grants despite the technical capability of the multiple data entry processors to handle that system. Removal of the central processor would make Pell grant processing more effective and efficient. It would surely eliminate some administrative costs and make the system less complicated for the families involved. I also feel that a return to the need analysis system which would allow financial aid professionals to update the formula and eliminate the Congressional Methodology system would strike a blow for a more simplistic delivery. In the short years since CM has been in effect, there has been repeated instances of confusion both among students, families and aid officers, primarily in terms of getting the system modified on time for use.

We need to work towards simplification of the application and the application process in whatever way is possible. It is my belief that the process, especially lengthy applications and requirements to supply verification documents, is the most intimidating to those students whose families need the financial aid the most. The unsophisticated parent who is not used to completing paperwork and providing confidential documents is the most likely to default from the process. And when I speak of simplification, as one of my coileagues and I talked about it just before the session, we really could not get down to a postcard sized application, for example, but I think we could take some measures to eliminate some of the more complicating items on forms and such like kinds of things.

Although there are many other specific aspects of reauthorization that could warrant commentary, I have covered what I feel to be some of the major items. I understand and appreciate the difficult decisions that your committee or subcommittee must make in the reauthorization process and I appreciate the opportunity to provide input.

[The prepared statement of Ronald Shunk follows:]

GETTYSBURG

Gettysburg College Gettysburg, Pennsylvania 17325-1486 (717) 337-6811 Office of Financial Aid

Statement

to the

Subcommittee on Postsecondary Education

Committee on Education and Labor

U.S. House of Representatives

June 3, 1991

by

Ronald Shunk
Director of Financial Aid

My name is Ron Shunk and I am Director of Financial Aid at Gettysburg College in Gettysburg, Pennsylvania. I first wish to say that I am pleased to have the opportunity to offer testimony before the Committee on Education and Labor with regard to the reauthorization of the federal Title IV programs of student financial assistance which are so vital to students' pursuit of higher education.

It may be of interest for you to know that I have been working with the administration of financial aid for over twenty years, having begun in 1969 at a small, private college in Illinois. Over the more than twenty-year period since that time, I have had first-hand experience with the many changes in the distribution of financial aid to needy college students.

Perhaps I should begin by offering an opinion that for the most part I believe that the Title IV Programs function well. Although they represent a smaller portion of the total federal budget for financial assistance, I believe that the campus-based programs function particularly well. Financial aid professionals at institutions throughout the country are able to utilize those programs on the basis of financial need analysis and professional judgement decisions to meet the needs of students and their particular institutions. And although there are refinements that might enhance the programs, the Stafford Student Loan and Pell Grant Programs seem to meet student needs in a reasonably efficient manner. I say that especially because I find it troubling that some recent publicity in the form of quotes directed at the Stafford Loan Program by prominent individuals would indicate that "virtually none of the major components of the Stafford Program are working efficiently and effectively". I do not believe that to be the case for the large majority, and it is certainly not the case in Pennsylvania, where through the leadership of the Pennsylvania Higher Education Assistance Agency the program operates with a low state-wide default rate.

Since I have already mentioned the Stafford Loan Program I will provide some additional comments about that program. While I recognize that the program has some major problems, namely default rates among some institutions, there is evidence that there are many states, banks, institutions of post-secondary education, parents and students who take loan obligations seriously and meet the commitment which each has undertaken in the program. Especially in Central Pennsylvania, and other parts of this state, the work ethic is very prevalent. A part of that ethic is honoring commitments such as loan obligations, and I believe that helps to contribute to a low default rate at most Pennsylvania institutions.

The Stafford Loan Program should continue, and while I recognize the need for students to carefully weigh loan obligations that are undertaken, I believe that for the Program to be of maximum service in relation to the continued escalation of educational costs, the maximum amounts per year are in need of being raised to new levels. Amounts similar to $3500 at the freshman and sophomore levels and $5000 in the final two years that have been proposed in some circles seem appropriate to me. I place that in the perspective that maximum loan amounts have raised only $125 to $1500 since I had my last loan nearly 25 years ago.

To conclude the topic of Stafford Loans I can indicate that the idea of restructuring the program by capital contributions from the federal government to educational institutions does not seem an effective solution to me. That model resembles the old National Direct Student Loan and current Perkins Program that has been perceived to be ineffective. Additionally, I would not favor the replacement of Stafford Loan with sizeable grants during the first two years of a student's post-secondary education which would revert to loans for the final two years. Such a program would seem to present negative re-inforcement to students who do well and persist, and it smacks of the bait-and-switch kind of financial aid packaging about which some institutions already receive accusations. Students and families seem to need a steady-state of planning over the length of the educational program.

My absolute final comment on Stafford Loans relates to administrative burden. The Entrance/Exit Interview requirements and the 30-day delayed disbursement requirement seem to place undue burden on those institutions with no default problem. As an incentive for institutions to maintain an already good record or to improve where warranted, the administrative requirements should be abated on the basis of good or improved performance.

Over the years I have witnessed several changes in the structure of federal student assistance programs. At many institutions that has not included the inflation of fees to capitalize on federal aid dollars as alleged by some. Gettysburg College has experienced both a net decline in federal aid dollars and a decline in the percentage of federal monies in relation to total aid to students. The maximum amount of Pell Grants to students occurred in 1979-80 and the maximum level for all federal aid to students was 1981-82. Since those years federal funds have declined dramatically, and College-funded financial aid has constituted a larger percentage of total aid dollars. In the decade of the 80's financial assistance to Gettysburg College Students has shifted from about 25 percent College-funded aid versus 67 percent federal aid in 1981-82 to about 60 percent College-funded aid versus 29 percent federal aid by 1990. National statistics would indicate a similar pattern for other institutions.

A large part of the reason for that decline is decreased financial aid eligibility among the "middle-class" families. It is my belief that some relief is warranted for those families. That relief could take various forms, among them would be some protection of home equity in the need analysis formula; a loosening of need restrictions for Stafford Loan eligibility; the creation of a national non-subsidized Stafford Loan Program patterned after the very successful PHEAA Program in Pennsylvania, which would make loan funds available to students if the interest were paid by the family instead of with federal subsidy for families unable to meet need requirements of the "regular" Stafford Loan; and an increase in the loan amounts for PLUS Loans from the current and long-standing $4000 per year level. Although it is possibly

outside the province of this committee, the re-instatement of federal tax deductibility for education loan interest would also help to provide some benefit to families.

It is also appropriate to offer some commentary about the financial aid delivery system. Despite repeated announced attempts over the years about simplification of the delivery system, that has not really occurred. Many parts of the system either are complex or appear to students and parents to be complex. One example is the continued use of a central processor for Pell Grants despite the technical capability of Multiple Data Entry Processors to handle that system. Removal of the central processor would make Pell Grant processing more effective and efficient. It would surely eliminate administrative cost and make the system less complicated for families involved. A return to a need analysis system which would allow financial aid professionals to update the formula and eliminate the Congressional Methodology system would also strike a blow for more simplistic delivery. In the few short years of CM, major confusion has been created among aid administrators and certainly among families of students because of CM inefficiency. Modifications to the CM formula often take too much time.

We need to work toward simplification of the application and application process in whatever ways possible. It is my belief that the process, especially lengthy applications and the requirements to supply verification documents, is the most intimidating to the students whose families need financial aid the most. The unsophisticated parent who is not used to completing paper work and providing confidential documents is the most likely to default from the process.

Although there are other more specific aspects of reauthorization that could warrant commentary, I have covered what I feel to be the major items. I understand and appreciate the difficult decisions that must be made in the reauthorization process, and I appreciate the opportunity to provide input.

Mr. EVANS. Mr. Chairman and members of the subcommittee, my name is Jay Evans. I am Deputy for Loans and Legislative Affairs for the Pennsylvania Higher Education Assistance Agency, our State's Federal loan guarantor and student grant agency. I am pleased to offer comments on the agency's position on reauthorization of the Title IV student aid programs. This will be a brief review of my written testimony. We consider this reauthorization one of the most important legislative activities the Congress will confront this year.

While the focus of my remarks is on the guaranteed student loan programs, I would like to preface those remarks by noting that during the past decade, Federal student grant dollars increased by only 76 percent while grant recipients cost of education more than doubled and their family incomes grew by only about 62 percent. These changes have led to a situation in which it is becoming increasingly difficult for students and their parents to pay for college costs. The States tried to make up for the relatively low growth rates in Federal grant aid by increasing their State grant program dollars by over 120 percent and the student's colleges increased the dollars they spent on student aid by over 178 percent, but the Federal Government must increase its role in the Federal/State/institutional partnership in providing grants to students if they are to be assured access to postsecondary education.

One of the true success stories in financial aid has been the Federal/State student incentive grant program where about $60 million in Federal funds helped to leverage nearly $1.7 billion in State dollars this past year. Federal funds in the program should be increased, not zeroed out as proposed by the administration. A recent State survey showed that 25 percent of the States would likely lose their State grant programs entirely if SSIG is eliminated.

The GSL programs have been very successful in providing student aid to needy students, and major legislative changes since 1986 have improved the programs and reduced the Federal Government's liability for funding them.

I would like to mention a few changes we would like enacted.

PHEAA and NCHELP, that is our national student loan organization, agree that there is a need to increase Stafford loan annual limits to $4,000 for sophomores and $6,000 for third, fourth and fifth year undergraduates as well as increased limits for graduate professional students to $10,000 and $12,000 in 1993. PHEAA also supports the NCHELP position that emphasis be given to front-loading Pell grants to first year students. Currently too many low-income first year students are forced to incur loans and loan debt burdens to gain access to education. NCHELP's staff is working to develop a model to demonstrate that more low-income students' Pell grants can be front-loaded while reducing their needs to have loans in the early phases of the program, without raising the total Federal cost of funding the Pell grant and Stafford loan programs.

We believe enough money would be saved through reduced defaults for first year students in lowering of loan subsidy costs to make this possible. Front-loading grants would enhance student access and reduce future defaults by reducing their financial risk.

PHEAA has long been concerned about applying the needs analysis systems used to assess eligibility for grant and this results in

denying students access to loans which cost the government much less to subsidize than grants. The Congressional methodology excludes many middle-income students from access to loans needed to pay rising education costs. While we favor the use of a single needs analysis system for all Federal student aid programs, ways to assist more middle-income students should be devised.

PHEAA has found a way to do this through its non-subsidized Stafford loan program. We sell revenue bonds to generate the capital. The problem we have is that due to the low eight percent yield on an unsubsidized student loan asset to be financed, a substantial issue of contribution is required. To date, PHEAA has met that commitment. Also there is no secondary market for eight percent fixed loans. They receive no special allowance payments and no in-school grace period for deferment or interest subsidies.

We implemented the program when need analysis was applied to all Stafford loan borrowers in 1986. Since then over $500 million in unsubsidized loans have been offered to Pennsylvania students. Over 40 percent of the dollars have gone to dependent students from families with incomes between $30,000 and $50,000, our middle income family.

We support the NCHELP proposal to create a Federal unsubsidized Stafford loan program to aid middle-income students. This program will address the problems that PHEAA is currently experiencing, and the key is no new forms or applications are needed.

In closing, I would like to mention two recommendations regarding program administration. The first, micro-management or over-regulation of the GSL program, has limited program administrators' ability to introduce innovations and simplify the processing of making, servicing and collecting loans. Guarantors, lenders and schools with low default rates should be given some relief from the many details of the current regulations.

Another program administrative problem is rulemaking. We are currently operating the GSL programs under regulations designed to implement the Higher Education amendments of 1980—yes, 1980—and these regulations did not become final until after enactment of the 1986 amendments. In the interim, policy statements are issued by the department in the form of "Dear Colleague" letters or ad hoc responses to individual organization questions. These ad hoc responses are rarely communicated to other program participants. To remedy this situation, we recommend that the Higher Education Act be amended to require the Secretary to convene regional meetings of all participants to provide input to the Department on content of proposed regulations prior to a negotiated rulemaking process.

While there are other issues that should be addressed in reauthorization, PHEAA believes the ones I have mentioned are the most important to improving the GSL program for students and organizations and institutions who administer the program.

Thank you for the opportunity to appear before you and I will be happy to answer any questions you might have for me.

[The prepared statement of Jay W. Evans follows:]

PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY

660 BOAS STREET
HARRISBURG, PENNSYLVANIA 17102-1398

STATEMENT OF JAY W. EVANS

DEPUTY FOR LOANS AND LEGISLATIVE AFFAIRS

PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE HOUSE COMMITTEE ON EDUCATION AND LABOR

JUNE 3, 1991

Mr. Chairman and members of the Subcommittee, my name is Jay Evans. I am Deputy for Loans and Legislative Affairs for the Pennsylvania Higher Education Assistance Agency, our state's federal loan guarantor and student grant agency. I am pleased to be with you today to offer comments on the Agency's position on reauthorization of the Higher Education Act's Title IV programs. We consider this reauthorization one of the most important legislative activities that Congress will confront this year.

While the focus of my remarks is on the guaranteed student loan programs, I would like to preface those remarks by noting that during the past decade, federal student grant dollars increased by only 76 percent while grant recipients' costs of education were more than doubling and their family incomes were growing by only about 62 percent. These changes have led to a situation in which it is increasingly difficult for students and their parents to pay for college costs. The states tried to make up for the relatively low growth rates in federal grant aid by increasing their state grant program dollars by over 120 percent and the students' institutions increased the dollars they spent on student aid by over 178 percent. But the federal government must increase its role in the federal-state-institutional partnership in providing grants to students if they are to be assured access to post-secondary education.

As grant aid diminished relative to costs and student ability to pay for education, students and their families had to borrow more. The

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Guaranteed Student Loan Program has played an increasingly crucial role in providing more aid to help offset the losses of grants. For example, in 1980-81, GSLP loans represented only 36 percent of all types of student aid dollars from all sources. By 1989-90, GSLP loans represented nearly 46 percent of all student aid. In FFY 1989 the GSLP programs provided $12.5 billion to over 4.5 million students.

The GSLP programs (Stafford Loans, PLUS Loans and SLS Loans) have been very successful in providing student aid to needy students. And major legislative changes since 1986 have improved the programs and reduced the federal government's liability for funding them. I'll mention a few here.

Default reduction measures were implemented to strike from the program those schools whose students' high default rates indicate they are inadequately and inappropriately serving borrowers. In Pennsylvania, we estimate that this measure alone cut our numbers of defaulting borrowers by over one-fourth between 1986 and 1989. The Department of Education implemented strict due diligence requirements for administration and servicing loans, which has resulted in reduced default claims payments by the federal government and improved collections on defaults. Giving students their loans in multiple disbursements rather than a single lump sum at the beginning of their school years has helped control losses in defaults due to students dropping out immediately after entering school. The new provisions for assessing by standardized tests potential borrowers' "ability to benefit" from their intended education and training programs have cut large numbers of borrowers who were unlikely to have been successful students but quite likely to have become defaulters from the programs. Stafford Loan program subsidy costs were curtailed by permitting only students with "demonstrated financial

need" to receive subsidized loans. This latter provision has, however, reduced student access to needed loan funds, a situation I will address again below.

In spite of these effective changes in the guaranteed loan programs, additional modifications are needed. First of all, the annual and cumulative limits on the maximum amounts students can borrow should be adjusted upward, because their costs of education have increased dramatically while their relative access to other amounts of aid has not. PHEAA agrees with the National Council of Higher Education Loan Programs' (NCHELP) recommendation to increase Stafford Loan annual limits to $4,000 for sophomores and $6,000 for third, fourth and fifth year undergraduates. Annual limits for graduate/professional school students should be raised to $10,000 in 1991 and to $12,000 in 1993. Cumulative loan limits for combined borrowing as an undergraduate and graduate student should be raised to $74,625 in 1991 and 1992 and then to $84,625 in 1993.

PLUS loan maximums should be raised to $10,000 per year and $50,000 cumulative. SLS loan maximums should be raised to $4,000 for third, fourth and fifth year undergraduates and to $10,000 for graduate/professional students with a $50,000 cap on total amounts borrowed.

PHEAA also supports the NCHELP position that emphasis be given to "front-loading" Pell Grants to first-year students. Currently too many low-income first-year students are forced to incur loans and loan debt burdens to gain access to education. This situation prevents many low-income students from trying to enroll due to fear that they will not succeed in postsecondary

education and be left with a student loan debt burden that only adds to their handicapped financial statuses.

We believe with NCHELP that, to the extent it is possible under current budgetary contraints, grant aid exclusively should be used to cover the first halves of financially handicapped students' undergraduate programs. "Front-loading" grants would enhance student access to education by reducing their financial risks. Moreover, it would reduce future defaults in the loan program since the high-risk students would not be borrowing and defaulting on their loans.

I am working with other NCHELP member staff to develop a model to demonstrate that more low-income students' Pell Grants can be "front-loaded" while reducing their need to have loans in the early phases of their programs without raising the total federal costs of funding the Pell Grant and Stafford Loan programs. We believe enough money would be saved through reduced defaults for first-year students and lowering of loan subsidy costs to make this possible. We expect to be able to furnish the Subcommittee with our model in the very near future.

PHEAA has long been concerned that applying the needs analysis systems used to assess eligibility for grant aid results in denying students access to loans which cost the government much less to subsidize than grants. The Congressional Methodology, which currently is used to assess eligibility for grant aid as well as Stafford Loans, denies many middle-income students access to loans, and to money needed to meet rising education costs. While we favor the use of a single needs analysis system for all federal student aid

programs, we believe ways to assist more middle-income students should be devised.

At PHEAA we have found a way to do this, through our Non-Subsidized Stafford Loan Program. In this program, PHEAA sells revenue bonds to generate capital it uses to make Stafford Loans to students who are not eligible for subsidized loans. It is important to note here that, due to the low 8 percent yield on the non-subsidized student loan asset to be financed, a substantial issuer contribution is required. To date, PHEAA has been able to meet this requirement, but there is no assurance that we will be able to do this in the future. Also, it should be noted that there is no secondary market for 8 percent fixed-interest loans, even though these loans are guaranteed by the federal government. Our non-subsidized loans receive no special allowance payments nor in-school, grace period or deferment interest subsidies. We implemented the program when need analysis was applied to all Stafford Loan borrowers in 1986. Since then, over 500 million dollars in non-subsidized loans have been offered to Pennsylvania students. Over 40 percent of the dollars have gone to dependent students from families with incomes between $30,000 and $50,000, our middle-income families. It has allowed these students access to college that they would not have had without the loans.

We support the NCHELP proposal to create a federal non-subsidized, or "unsubsidized" Stafford Loan Program to aid middle-income students. This program will address the low fixed-interest rate and secondary market problems PHEAA is facing. The program would be similar to the existing subsidized program in all terms and conditions, with the single major exception that in-school interest would not be subsidized by the federal government. This interest would be paid by borrowers on a quarterly basis or added to the

principal amount for repayment after completion of their programs. No origination fees would be collected, but borrowers would pay a 5 percent reinsurance premium to cover default costs and special allowance payments, if any were required.

The unsubsidized program would not require any new forms or applications. Borrowers could complete a single document to apply for subsidized and unsubsidized Stafford Loans, just as they do for PHEAA's Non-Subsidized Loan Program. If they demonstrated need for a portion of the amounts requested, they could receive a subsidized loan for that amount plus an unsubsidized loan for the remaining amount needed. This is how PHEAA's borrowers currently apply for loans and the system has worked quite effectively.

To make the subsidized Stafford Loan program less costly and the new unsubsidized Stafford Loan program affordable to the federal government, PHEAA with NCHELP, is recommending that the interest rate for both types of loans for new borrowers be set at market rate, as interest is currently assessed for PLUS and SLS loans, with a ceiling rate to the borrower set at 10 percent.

You might be asking yourselves why not have the parents get PLUS loans rather than have students get unsubsidized loans? Many parents are unable to qualify for PLUS loans, due to their current mortgage and consumer debt burdens. PLUS loans are immediately due for repayment, and must be repaid from current earnings. On the other hand, unsubsidized Stafford loans would not be due for repayment until the student borrowers had completed their education and are earning money on their own from future jobs.

Increasing the annual and aggregate loans limits for guaranteed loans to help borrowers meet rising education costs, "front-loading" Pell Grants for low-income students to reduce their loan debt risks and enhance their access, and creating an unsubsidized Stafford Loan program designed to help middle-income students would strengthen the Title IV programs and enhance their effects on students. These are major changes recommended to the programs' structures.

Let me now turn to recommendations regarding program administration. As Congress and the Department of Education sought ways to curtail loan program costs and control program abuse, there were many new rules and regulations applied to lenders, postsecondary institutions, guarantors, servicers and secondary markets, which led to a situation that best can be described as "micro-management" of the programs. This administrative environment of "micro-management" has limited program administrators' ability to introduce innovations and simplify the processes of making, servicing and collecting loans. "Micro-management," in which rules are promulgated in attempt to cover every circumstance, inevitably leads to higher program costs, low program efficiency, administrative performances at the lowest common denominator of acceptable standards and to reduced program participation as lenders, servicers and others drop out of the program because they are unable to operate effectively amidst such complexity.

The "due diligence" regulations applied to lenders offer a good example of the effects of "micro-management" on administration of the program. The 34 CFR Section 682.411 regulations prescribe that specific types and numbers of collection activities occur within each of six consecutive 30-day periods of loan delinquency. These include sending collection letters, sending more

"forceful" collection letters, and making telephone contacts with delinquent borrowers. These prescriptions, in combination with the penalties for their violations, focus collector attention on performing the specific functions during each specific time period, rather than on good collection practices in general.

Collectors' available resources are finite and loan collections should be individualized in that they should be based on anticipated results of a given activity on a given borrower. For example, good collectors use greater resources in attempting to collect from borrowers who appear to have the ability to repay loans than from borrowers who are destitute. But the regulations force collectors to perform the same sets of activities during the same time periods for all borrowers, regardless of the different probabilities of results. The focus on tasks, timing and penalties frequently forces collectors to take wrong actions or, due to finite resources, inhibits their taking the most appropriate actions with many delinquent borrowers, thereby creating an otherwise avoidable default, and adding to the problem the regulations were intended to resolve.

We believe that the objectives of "micro-management," i.e., more effective and efficient administration of the loan programs, can much more easily be achieved through creating well-structured financial incentives to program participants. For example, when lenders' loan portfolios show low default rates and volumes, it seems reasonable to offer them relief from all the many details of the current regulations regarding due diligence. When loan servicers' collections on defaulted loans are much higher than average, it seems reasonable to let servicers employ their own effective procedures and practices for collecting loans rather than requiring adherance to specific

regulatory minutiae. The Congress might even consider, if it is budgetarily feasible, making higher special allowance payments to lenders and secondary markets when they have demonstrated superior program administration.

Let me turn to another program administration problem that is most vexing to all program participants, rulemaking. The GSLP program functions under a "sunset provision," which means that Congress considers program changes as part of reauthorization at least every five years. Additionally, the program has been subject to changes in laws during nearly every budget cycle since 1981.

During the past decade, the issuance of timely regulations has functioned so poorly that the program is currently operating under regulations designed to implement the Education Amendments of 1980--regulations that did not become final until after enactment of the 1986 amendments. Regulations for the 1986 amendments, the current basic law for the program, are unavailable five years later. In the interim, policy statements are issued by the Department of Education in the form of "Dear Colleague" letters, or ad hoc responses to individual organization's questions. These ad hoc responses are rarely in writing or broadly communicated to other program participants.

GSLP Program administration currently is largely conducted through the questionable legal mechanism of "Dear Colleague" letters and, due to newly imposed Departmental clearances, even these letters are not issued on a timely basis. Moreover, no regulation or "Dear Colleague" letter can anticipate every nuance and situation program participants may encounter. So participants have to ask the Department for policy recommendations regarding specific situations.

These Departmental determinations may solve a specific inquirer's problem, but they should be communicated to other appropriate program participants, which is not currently being done. Nor are the determinations communicated to the Department's regional offices, which results in repetitive questions on the same issue and frequently different responses to identical questions.

It is imperative that clear, comprehensive and workable regulations be issued to program participants on a timely basis. If lenders, schools, guarantors, secondary markets, servicers and collectors are to be exposed to large liabilities for violations of regulations, it is only just that these regulations be good ones that are well known to all.

To remedy this situation, PHEAA with NCHELP recommends that the Higher Education Act be amended to require the Secretary of Education to convene regional meetings of guaranty agencies, secondary market lenders, servicers, collectors and schools to provide comment and recommendations to the Department on content of proposed regulations prior to their issuance. After such meetings, and before publishing the proposed regulations in the Federal Register, the Secretary should be required to draft regulations on all key issues and submit them to a negotiated rulemaking process which follows the guidance provided in the Administrative Conference of the United States in Recommendation 85-5, "Procedures for Negotiating Proposed Regulations."

This negotiation process should be required by law to be conducted in a timely manner which results in the issuance of final regulations within the 240-day period required by section 431 (g) of the General Education Provisions Act.

In recognition of the fact that no regulations will comprehensively address every possible issue, the Department should be required by law to develop a system for codifying its interpretive responses to GSLP participants.

While there are other issues that should be addressed in reauthorization, PHEAA believes that the ones I have mentioned are the most important to improving the GSLP program for students and the organizations and institutions who administer the program.

Thank you for the opportunity to appear before you today. I will be happy to answer any questions you might have for me.

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Mr. GAYDOS. Mr. Rebert.

Mr. REBERT. I thank the committee members for inviting me. My name is John Rebert, I am the Financial Aid Officer at Yorktowne Business Institute, about which you heard from Dr. James Murphy, the President of the Institute.

I am the single financial aid person working at Yorketowne Business Institute and perhaps that is unlike the schools represented by some of the other persons who testified this morning. But I think we all have the same kinds of concerns. I know when I was contacted about accepting an invitation to testify today, it was mentioned that I might bring a wish list, and as I thought about the wish list, if I had a wish for Yorktowne Business Institute and its students, it would be that I could find a kindly philanthropist to endow us to the point where we could relinquish all Title IV financial aid and get on with the job of educating our students.

It is a very complicated process that we are involved with and we know that you will assemble all of the verbiage that you have heard today to try to simplify the methods as we go along. But it is really not too far-fetched to consider backing out of financial aid programs. I recall one consultant who spoke with a number of us in the York area, and this person had run a successful chain of private career schools in Florida for some years, and he advised that a school of our type especially, and perhaps of any type of postsecondary institution, which had more than a third of its students on financial aid, is living very dangerously. They are living based on the stroke of a pen at your level. And as I read Senator Nunn's report recently, I realized the reverberations of that and how it applies especially to the private career schools, which I represent through Yorktowne Business Institute.

But to step back into reality for a minute, I will accept the three points made by our accrediting association in testimony which they presented to your committee previously, and that is the Association of Independent Colleges and Schools and the National Association of Trade and Technical Schools. And their three-point agenda started with ensuring access and choice through equitable treatment of students desiring various program offerings.

In early May, a local columnist of a York, Pennsylvania newspaper, opened his column as follows, and I quote, "If middle income wage-earners felt their wallets scream for mercy last Wednesday, blame it on Secretary of Education Lamar Alexander." The writer went on to say that that in recent testimony before your committee, Secretary Alexander suggested that money currently spent for middle-class students could be better spent on students from poor families. The Secretary is quoted further as having testified that while such a plan would cause students from middle-class families difficulty in qualifying for financial aid, he said that they can send their children to State-supported institutions where tuition is relatively low. And the columnist concluded, and I quote, "I wonder what colleges Alexander thinks middle-class kids are already attending?" A very valid point, especially in these times when we are talking about choice as the basic education level and then we turn around and talk about isolating by socio-economic class at the postsecondary level. We would ask that reauthorization reaches beyond that kind of thinking, as we gear up for the coming decades.

I too believe that there should be a very close look-see at Congressional Methodology because beyond home equity, I think there are some flaws in the system which are denying access and equity to many students in our schools. When I think of a 35-year-old mother of two school age children who had an adjusted gross income of $15,000 in 1990 and whose husband is totally disabled and received $13,000 in Social Security benefits with only one asset being their $19,000 home equity. If she is expected to contribute $2,300 to her own education for a 9 month period and be ruled ineligible for Pell grants, there has got to be something wrong with the system. Or to look at an independent student who is trying to survive on her own with an income of $10,600 with no assets, who is obliged by the EFC Congressional Methodology system to contribute $4,700 to her own education for a 9 month period. There has got to be a flaw in that system. If we are indeed interested in equitable access to postsecondary education, we should in fact look at that system very closely.

The second point of the accreditation association was that we restore confidence and integrity in student aid programs through accountability. I would call upon this committee to do what it can to inject into the phraseology or the requirements of reauthorization a better system of auditing. Whenever we think of accountability in the financial aid world, we think about auditing procedures. I want someone to ask me if I have a student aid procedures manual and review that manual for accountable procedures, not dwell on why I forgot to have a female student check off that she is not required to register for the Selective Service. I want someone to ask to review my student loan log, not give me a demerit because I failed to copy the endorsement side of a student loan check for the files.

During an accreditation review, I want someone to ask about the content of our school's institutional effectiveness document, not concentrate on doing head counts of students in classrooms. There is a good deal to be done among agencies and that point came up this morning in earlier testimony. For instance, your 1986 reauthorization opened in one section as follows: "Eligibility for public assistance or food stamps was not to be reduced when a student received Title IV funds according to a provision included in HEA as amended in 1986." And yet I had a student indicted for food stamp fraud because she was given refundable money from her student loan across my desk and that was considered income in the State of Pennsylvania. It turns out that the regulations were never finalized and each State has its own will to do what it wants in that regard. I would suggest that our accountability procedures do encompass the coordination of many agencies at the Federal level and not just what education believes should be the case.

The final point that the accreditation association makes in its outline of its proposals to your committee is that we should improve the effectiveness of the student aid delivery system through simplification, clarification and predictability. And I certainly endorse that. And one way—I will not talk about front-loading grants or having institutions become lenders because I think that has been picked apart enough, but one way that I do want to endorse that particular recommendation is to call for a single loan pro-

gram. No matter how good our entry and exit counseling programs are at this moment, if a student winds up with four or five different loans, will he or she truly understand what faces him or her at the time of repayment? It is doubtful.

Within the context of whatever loan program structure the reauthorization provides, I call upon you to consider raising the first and second grade level students to a higher amount of approvable student loan money. As has been said before, we have been fixated at $2,625 for a number of years and prior to that $2,500 for a number of years, and I would recommend that we consider the first and second year students at the $4,000 level. The cost of education is rarely less in the early years than it is at the higher levels and I believe the philosophy of proving oneself before being subsidized at higher award levels is archaic and is unworthy of further consideration.

In conclusion, I would recommend that no changes be made unless it can be assured that the attendant regulations fill follow in a timely manner. The up to six year delay in receiving regulations pertaining to portions of the last reauthorization is inexcusable in that it has caused many of us uncertainty in enforcing the intent of the law.

And finally, Congress should be advised of the educational quality of most private career schools, hence offsetting what has become a generalized witch hunt of all our schools. If we earn a favorable reputation based upon the type of program we operate, then we should be treated with the same professional regard as the 4 year institution receives for its good efforts.

Thank you very much for the opportunity to speak with you.

[The prepared statement of Jim Rebert follows:]

TESTIMONY TO BE PRESENTED AT A HEARING TO BE HELD AT DICKINSON COLLEGE ON JUNE 3, 1991 ON MATTERS RELATED TO THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT.

PRESENTED BY: John A. Rebert
Financial Aid Officer
Yorktowne Business Institute
York, Pennsylvania

INTRODUCTION:

In a booklet titled, Quality Assurance for Private Career Schools, a publication sponsored by the Association of Independent Colleges and Schools and published by McGraw Hill, the following introductory statement appears:

> In Chinese, when the symbol for danger and the symbol for opportunity are used together, they compose the symbol for crisis. There is danger and opportunity for [private career schools]. [Likewise], there will be crises in many of our schools; yet, there is hope for constant improvement and future prosperity through quality assurance.

Clearly, there are times of crisis in all types of post-secondary schools. But, unquestionably, private career schools (even those who assure quality) have been the victim of a severe drubbing since the day someone -- twenty years belatedly -- thought that there should be more accountability with regard to the repayment of student loans. Almost immediately, proprietary schools drew fire in a global sense. Often, the implications of the critical reports which emanated from the student loan default research, suggested directly or by inference that post-secondary

education probably would be better off if all or most private career schools were eliminated. Of course, one method of accomplishing that end neatly and politically would be to disqualify such schools as recipients of Title IV financial aid based on real or contrived charges.

All of us who profess to be educators, regardless of type or level of school, subscribe to the philosophy that what we are doing should result in a "benefit to self and society" of those being educated. The private career school philosophy does not waver from that goal. In fact, it must try harder than most educational institutions to contribute to that lofty ideal.

Such schools must try harder for several reasons, the major one being that it deals primarily with those for whom we have coined the label, "non-traditional" students. But when a private career school thinks of that categorization of students, it is not considering only, as most four-year institutions would, the single parent or the older student or the prison inmate who happens to be a member of the student body. The concept of the "non-traditional" student in the private career school is more all-encompassing and generalized to a group of individuals who, for the most part, have been left stranded by our educational system. In many instances, we are educating persons whose self-esteem has been shattered by

school systems at both ends of the educational continuum. First, many were left by the wayside in grades K-12 because of less academic potential, psychological problems, or even appearance. Secondly, many were ruled unworthy by what we have come to know as "real" colleges for some of the same reasons or because of the application of some other standard of excellence that such institutions expect of its enrollees.

Even against unbelievable odds, in many cases these students continue to come to our doors asking to be given a chance to elevate their educational horizons. They tell us, too, that their educational aspirations are such that, instead of having to take courses on "learning how to appreciate a rose", they would like short-term skills training that will prepare them to be able to "buy a rose so that they can take it home and appreciate it!" The enrollment and placement statistics you have heard in others' testimony support the fact that many do come to our doors and, indeed, most have been prepared to "buy a rose;" and, yes, most of those who graduate from quality career schools do repay their student loans.

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SOME SUGGESTIONS FOR REAUTHORIZATION ACTION:

As part of the invitation to provide testimony at this session, I was asked to present a "wish list" of items that would be hoped for through Reauthorization. If I had one wish to give my school and its students, it would be that we could locate a kindly philanthropist, or someone of wealth who has profited from our graduates, who would endow the school to such an extent that we could decline any participation in Title IV student aid programs. Hence, the process of educating our students would become our paramount concern, rather than having to anticipate whether or not we can satisfy all of the cumbersome and often ambiguous requirements of the various governmental agencies with which we are obliged to deal if continued student aid is to be available for those who seek to become further educated in our private career school setting.

While obviously far-fetched, such a wish is not too far removed from the advice given by an individual who founded and operated a chain of successful career schools in Florida. He suggests that such a school which has more than one-third of its students on financial aid is indeed living under the Chinese symbol for "danger" since a single governmental action of rescinding student aid to such schools could result in their quick demise.

Those of us in the private career school sector have all felt the reverberations of that sort of thinking over the past year or two!

But to step back into reality for a moment in order to present issues which should be addressed during a reauthorization process, I will draw upon the topics for consideration already presented to the Congressional committees by the Association of Independent Colleges and Schools and the National Association of Trade and Technical Schools. In their recent paper on this subject, they identified these major issues which warrant intensive study:

1. *Ensure access and choice through equitable treatment of students desiring various program offerings.*

In early May, a local columnist of a York, PA, newspaper opened his column as follows: "If middle-income wage earners felt their wallets scream for mercy last Wednesday, blame it on Secretary of Education Lamar Alexander." The writer went on to say that in recent testimony before the House Subcommittee on Postsecondary Education, Alexander suggested that money currently being lent to the students of middle-class parents would be better spent by giving it to students from poor families. The secretary is quoted further as having testified that, while such a plan would cause students from middle-class families difficulty in qualifying

for financial aid. he said that they can send their children to state-supported institutions where tuition is relatively low. The columnist concluded rather aptly, "I wonder what colleges Alexander thinks middle-class kids are already attending?"

We would hope that Reauthorization would reach beyond such a classist approach if it truly seeks equitable treatment of those who seek post-secondary education in the immediate future.

There should be student aid programs geared to all forms of higher education, including the private career school sector, inasmuch as it believes that it offers a viable alternative among a host of post-secondary opportunities from which an individual may choose.

From a private career school perspective, as well as from other post-secondary education vantage points I'm sure, it is apparent that the Congressional methodology process required to determine expected family contribution to one's own education clearly denies many equitable access to programs of choice. To assure that the CM formula is not flawing the philosophy of equity, it is recommended that the Congress restudy this methodology to learn if in fact it is a valid indicator of establishing student need when compared to today's cost-of-living and income indices.

For example, is it realistic in these times that a 35-year-old mother of two school-aged children who had an adjusted gross income of $15,000 in 1990, and whose husband is totally disabled and received $13,000 in social security benefits in 1990, with the only asset being a $19,000 home equity, be expected to contribute $2300 to her own education for a 9-month period and be ruled ineligible for Pell Grants? Or is it realistic for the single, independent student with no dependents whose adjusted gross income for 1990 was $10,600 with no assets, who is trying to survive on her own, be expected to contribute $4700 to her own education for a 9-month period?

Those persons who handled student aid work prior to the Reauthorization of 1986 will recall how much less complicated it was to determine a student's family contribution to his/her own education. Perhaps the prior system was less uniform than the processes that have followed, but equitable access to post-secondary educational programs appears to have been diminished by the current CM system.

2. *Restore confidence and integrity in student aid programs through accountability.*

Anyone who is a proponent of the assurance of the quality of

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institutional efforts will concur that this issue demands serious consideration within the Reauthorization process. It appears that the default prevention initiatives alone have forced all of us to become more accountable in all facets of our work. While the administrative burden to accomplish these ends is enormous, it goes largely unrewarded. Therefore, I concur with the American Council of Education's recommendation to the Congress that, at the very least, there should be some regulatory relief for schools with proven administrative capabilities.

But, generally, most of us think of the auditing process when the discussion of accountability is mentioned. In my opinion, the audits and accreditation reviews that have been done in my time in connection with student aid programs have done little to determine true accountability of past efforts; for example:

- I want someone to ask me if I have a student aid procedures manual and then review that manual for accountable procedures, not dwell on why I didn't have a female student check the box on the form indicating that she wasn't required to register for Selective Service because she is female.

- I want someone to ask to review my student loan log, not give me a demerit because I failed to copy the endorsement side of a student loan check for the file.

- During an accreditation review, I want to be asked about the content of the school's "Institutional Effectiveness" document, not concentrate on doing headcounts of students in classrooms.

- Another important consideration here is that as the Reauthorization talks progress, consideration should be given to the coordination of policies and procedures of accountability of the various governmental agencies that provide financial assistance to those pursuing higher education. One example of how little coordination exists in this regard is described in the following excerpt from a past issue of the publication Capitol Comments and an actual student aid case in which I was involved.

Confusion Exists Regarding Food Stamps And Financial Aid

Eligibility for public assistance or food stamps was not to be reduced when a student received Title IV funds, according to a provision included in the Higher Education Act, as amended in 1986. The provision stated that federal Title IV student aid funds used to pay for tuition, fees, books, supplies, transportation and miscellaneous personal expenses could not be considered as income or resources to determine eligibility for any other aid such as welfare benefits or food stamps. An interim rule was published by the Food and Nutrition Service of the USDA on 6/1/87 retroactive to 10/17/86, mandating the implementation of these provisions. A policy memorandum from the Deputy Administrator of the Food Stamp Program, dated 7/88, advised all Food Stamp administrators of the requirements. Yet a final rule has not been published. The unresolved question relates to the commingling of

federal aid with state or local sources of student aid. The interim rule does not address the issue and, until a final rule is published, states have discretion to implement their own policies.

Even with all those regulatory citations, I had a student who was indicted for welfare fraud because she received cash assistance and food stamps simultaneously with the receipt of refundable student loan funds from her school account.

Indeed, there is a clear call for all of us to be more accountable in our handling of governmental funding. By the same token, there is a clear call for the regulatory outcome of Reauthorization to produce more logical and consistent measures of what should be expected in enforcing these practices.

3. *Improve the effectiveness of the student aid delivery system through simplification, clarification, and predictability.*

Much has been presented to date by various groups on front-loading student aid programs with grants and the exclusion of banks as student loan lenders, along with other ideas of simplifying and making such programs more predictable. Yet, just as much has been said in opposition to these suggestions, flagging the early years' grant concentration as discriminatory to higher-level, post-secondary students and the exclusion of banks as lenders as a

regressive action since the Department of Education has not proven itself to be an adequate collection agency even with the Perkins program.

Since student loan programs dwarf other Title IV programs in numbers and amounts of funds awarded, Reauthorization should clearly address the elements of simplification, clarification, and predictability in this area of funding. And I agree with those professional associations who are advocating a single loan program rather than continuing the splintered, complicated maze of varied types and conditions of the multi-faceted loan programs currently available. Even the best entry and exit counseling cannot assure that a student who has four or five different loans will truly understand what faces him/her at the time of repayment.

Within the context of whatever loan program structure the Reauthorization provides, consideration should be given to raising the first- and second-year limits from $2625 to $4000. The cost of education is rarely less in the early years than it is at the higher levels; yet the students at the early levels are denied the additional student loan funds. The government's philosophy of proving oneself before being subsidized at higher award levels is archaic and is unworthy of further consideration.

CONCLUSION:

The verbiage selected for the Reauthorization Bill will affect the lives of many as they plan their lives and careers. In conclusion, I believe I speak for all those associated with student aid programs when I recommend that no changes be made unless it can be assured that the attendant regulations will follow in a timely manner. The up-to-six-year delay in receiving regulations pertaining to portions of the last Reauthorization is inexcusable in that it has caused many of us uncertainty in enforcing the intent of the law.

Finally, the Congress should be advised of the educational quality of most private career schools, hence offsetting what has become a generalized "witch hunt" of all such schools. If we earn a favorable reputation based upon the type program we operate, then we should be treated with the same professional regard as the four-year institution receives for its good efforts.

Thank you for the opportunity to spend this brief time with you in the interest of seeking ways to improve student aid programs.

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Mr. GAYDOS. Mr. Koopman.

Mr. KOOPMAN. Mr. Chairman, members of the subcommittee, my name is John Koopman, Vice President with PNC Financial Corp. of Pittsburgh, Pennsylvania. I am responsible for the operation of PNC's Education Loan Center. Last year, we originated over 60,000 loans to students in Pennsylvania and in other States. We participated in the Guaranteed Student Loan program since 1965 and consider student loans to be an important consumer lending service for our customers. My testimony today reflects not only the views of PNC, but also the recommendations of the Education Funding Committee of the Consumer Bankers Association (CBA) on which I serve.

The legislative recommendations of CBA, developed over a 2 year period, provide, in my view, a blueprint of how Congress should modify the Guaranteed Student Loan Program to better meet the needs of students. I have attached a copy of the Executive Summary of the CBA recommendations, to my testimony.

PNC conducts the majority of its student loan business through the Pennsylvania Higher Education Assistance Authority and eight other guaranty agencies. We have banks in several States, that is why we operate with different agencies. As a result, we must conform with nine sets of forms, nine sets of rules and procedures that, in our view, serve little purpose. In this reauthorization, Congress should require a greater standardization of forms and procedures among the guaranty agencies so as to reduce confusion on the part of borrowers, unnecessary paperwork among lenders, and to ease the administration of the program by financial aid administrators.

PNC endorses simplification of operational requirements in the Guaranteed Student Loan Programs wherever possible. In particular, the current list of 13 separate categories of student loan deferments should be reduced to three—one for in-school, one for unemployment and one for other forms of hardship. The current long list of deferments results in many borrowers being confused and being subject to disclosures regarding deferments which are rarely utilized. Third, attention should be given to the problem of guaranty agency solvency. In this regard, I am pleased to note the high level of confidence that PNC has in our own State agency in Pennsylvania, PHEAA. This high degree of confidence is not present in many other States, and recently was undermined by the insolvency of the Higher Education Assistance Foundation (HEAF) last year. When HEAF experienced its financial problems, the Federal Government wisely intervened to assure that all guarantees on HEAF-guaranteed loans were honored. We believe that this was the proper step to take. We believe even more strongly, however, that it would be prudent for the Congress to take steps now to avoid a similar experience with another agency. In this regard, the Consumer Bankers Association has submitted recommendations to the Congress to provide for greater Department of Education oversight of guaranty agency finances and to step in with a solution in the event that an agency becomes insolvent. I also note that the Department of Education has submitted legislative recommendations on this matter. While we are not prepared to endorse all these recommendations until we complete our review, we note that the De-

partment's recommendations are similar to those submitted by lending institutions and deserve the attention of the committee.

PNC recommends that the Department of Education be required to hold regional hearings following the enactment of the reauthorization bill and to negotiate the regulations implementing this reauthorization. We note, with disappointment, that the implementing regulations for the 1986 reauthorization are still in NPRM form, and probably will not be finalized until Congress is well into the process of reauthorizing the Act once again. Five and six year delays in the implementation of regulations is unacceptable and helps explain why the program is subject to such great confusion on the part of lenders, guarantors and others. The implementation of negotiated rulemaking, similar to that utilized in implementing the Elementary and Secondary Education Act reauthorization and the Perkins Vocational Act last year, would provide a sound structure for rulemaking in the program and would lead to the promulgation of timely regulations.

Finally, PNC recommends that the committee address the needs of middle-income borrowers. Our contacts with students across the United States suggests that many middle-income families experience great difficulty in financing attendance at the institution of their choice. To address this problem, Congress needs to adopt a low or no-cost Federal program to meet the needs of these students. The National Council of Higher Education Loan Programs (NCHELP), with the able assistance of PHEAA, has developed such a program. This program represents a simple, easy-to-use means of providing additional credit, at minimum cost to the Federal Government. The basic difference between the NCHELP middle-income loan proposal and the current Stafford loan program is the absence of in-school interest subsidy.

I would like now to take a few minutes to express the support of PNC for H.R. 1524, the Student Counseling and Assistance Network Act of 1991. PNC believes that Congressman Sawyer should be congratulated for introducing legislation to significantly increase the amount of information on financial assistance programs available to students and their families. PNC knows, from working with families in our communities, that many students are uninformed about the availability of financial assistance. In order to address this problem and to encourage all students to achieve the highest possible level of education, PNC believes that students, families, schools and public libraries should have access to information on all types of financial aid available to students. The Sawyer legislation would provide grants to local education agencies to obtain specialized training for guidance counsellors, teachers and principals to counsel students about college opportunities, pre-college requirements, college admissions procedures and financial aid opportunities. We believe that this legislation would make a difference and help America compete going into the 21st century.

As Congress begins the process of reauthorizing the Higher Education Act, I would like to offer one word of caution. The fundamental structure of the Guaranteed Student Loan program is sound. As partners in this joint venture, lenders and the Federal Government have succeeded in leveraging over $100 billion in private capital for education purposes. The extraordinary attention

the Guaranteed Student Loan program has received from the Congress and in the press over the past several years has eroded public confidence. Families and students need a stable, reliable source of Federal assistance if these programs are to serve to encourage the pursuit of postsecondary education. Partners to the government in the operation of student aid programs, including lenders, schools and guarantors, need similar relief from an environment where the rules and requirements change on an annual basis. At PNC, we are committed to the continuation of this partnership and hope that the refinements offered in this reauthorization will provide this necessary stability.

Mr. Chairman, this concludes my statement. I would be pleased to respond to any questions.

[The prepared statement of John Koopman follows:]

STATEMENT OF

JOHN KOOPMAN

PNC FINANCIAL CORP

ON BEHALF OF

CONSUMER BANKERS ASSOCIATION

BEFORE THE

HOUSE SUBCOMMITTEE ON POSTSECONDARY EDUCATION

June 3, 1991

Mr. Chairman, Members of the House Subcommittee on Postsecondary Education, my name is John Koopman, Vice President with PNC Financial Corp of Pittsburgh, Pennsylvania. I am responsible for the operation of PNC's Education Loan Center. Last year, we originated over 60,000 loans to students in Pennsylvania and in other States. We have participated in the Guaranteed Student Loan Programs since 1965, and consider student loans to be an important consumer lending service for our customers. My testimony today reflects not only the views of PNC, but also the recommendations of the Education Funding Committee of the Consumer Bankers Association (CBA) on which I serve.

The legislative recommendations of CBA, developed over a two-year period, provide, in my view, a blueprint of how Congress should modify the Guaranteed Student Loan Program to better meet the needs of students. I have attached a copy of the Executive Summary of the CBA recommendations to my testimony.

In this reauthorization, Congress is faced with the difficult dilemma of modifying programs to meet the increasing needs of students and their families at a time of shrinking federal resources. In this regard, I consider the Guaranteed Student Loan Programs to be a bargain. By some estimates, a single dollar of Guaranteed Student Loan capital made available to a student costs as little as 25 cents to provide. The cost-effectiveness of the GSL Programs is likely to increase

significantly as a result of the Default Reduction Initiatives of both the Department of Education and the Congress. PNC has supported both of these initiatives.

PNC conducts the majority of its student loan business through the Pennsylvania Higher Education Assistance Authority and eight other guaranty agencies. As a result, we must conform with nine sets of forms, rules and procedures that, in our view, serve little purpose. In this reauthorization, Congress should require a greater standardization of forms and procedures among the guaranty agencies so as to reduce confusion on the part of borrowers, unnecessary paperwork among lenders, and to ease the administration of the programs by financial aid administrators.

PNC endorses simplification of operational requirements in the Guaranteed Student Loan Programs wherever possible. In particular, the current list of thirteen separate categories of student loan deferments should be reduced to three--one for in-school; one for unemployment; and one for other forms of hardship. The current long list of deferments results in many borrowers being confused and being subject to disclosures regarding deferments which are rarely utilized. Third, attention should be given to the problem of guaranty agency solvency. In this regard, I am pleased to note the high level of confidence that PNC has in our State agency, the Pennsylvania Higher Education Assistance Authority (PHEAA). This high degree of

confidence is not present in many other States, and recently was undermined by the insolvency of the Higher Education Assistance Foundation (HEAF) last year. When HEAF experienced its financial problems, the federal government wisely intervened to assure that all guarantees on HEAF-guaranteed loans were honored. We believe that this was the proper step to take. We believe even more strongly, however, that it would be prudent for the Congress to take steps now to avoid a similar experience with another agency. In this regard, the Consumer Bankers Association has submitted recommendations to the Congress to provide for greater Department of Education oversight of guaranty agency finances, and to step in with a solution in the event that an agency becomes insolvent. I also note that the Department of Education has submitted legislative recommendations on this matter. While we are not prepared to endorse all of these recommendations until we complete our review, we note that the Department's recommendations are similar to those submitted by lending institutions and deserve the attention of the Committee.

PNC recommends that the Department of Education be required to hold regional hearings following the enactment of the reauthorization bill and to negotiate the regulations implementing this reauthorization. We note, with disappointment, that the implementing regulations for the 1986 reauthorization are still in NPRM form, and probably will not be finalized until Congress is well into the process of reauthorizing the Act once

again. Five- and six-year delays in the implementation of regulations is unacceptable, and helps explain why the program is subject to such great confusion on the part of lenders, guarantors and others. The implementation of negotiated rulemaking, similar to that utilized in implementing the Elementary and Secondary Education Act reauthorization and the Perkins Vocational Act last year, would provide a sound structure for rulemaking in the program and would lead to the promulgation of timely regulations.

Finally, PNC recommends that the Committee address the needs of middle-income borrowers. Our contacts with students across the United States suggest that many middle-income families experience great difficulty in financing attendance at the institution of their choice. To address this problem, Congress needs to adopt a low- or no-cost federal program to meet the needs of these students. The National Council of Higher Education Loan Programs (NCHELP), with the able assistance of Jay Evans of PHEAA, has developed such a program. This program represents a simple, easy-to-use means of providing additional credit, at minimum cost to the federal government. The basic difference between the NCHELP middle-income loan proposal and the current Stafford Loan Program is the absence of an in-school interest subsidy.

I would now like to take a few minutes to express the

support of PNC for H.R. 1524, the Student Counseling and Assistance Network Act of 1991. PNC believes that Congressman Sawyer should be congratulated for introducing legislation to significantly increase the amount of information on financial assistance programs available to students and their families. PNC knows, from working with families in our communities, that many students are uninformed about the availability of financial assistance. In order to address this problem and to encourage all students to achieve the highest possible level of education, PNC believes that students, families, schools, and public libraries should have access to information on all types of financial aid available to students. The Sawyer legislation would provide grants to local education agencies to obtain specialized training for guidance counsellors, teachers and principals to counsel students about college opportunities, pre-college requirements, college admissions procedures and financial aid opportunities. We believe that this legislation would make a difference and help America compete going into the Twenty-First Century.

I am happy to report, Mr. Chairman, that other lenders and guaranty agencies I have spoken to share our views on H.R. 1524. We are hopeful that, as the reauthorization continues, this legislation will be included in the Committee bill.

As Congress begins the process of reauthorizing the Higher Education Act, I would like to offer one word of caution. The fundamental structure of the Guaranteed Student Loan program is sound. As partners in this joint venture, lenders and the Federal government have succeeded in leveraging over $100 billion in private capital for education purposes. The extraordinary attention the Guaranteed Student Loan program has received from the Congress and in the press over the past several years has eroded public confidence. Families and students need a stable, reliable source of Federal assistance if these programs are to serve to encourage the pursuit of postsecondary education. Partners to the government in the operation of student aid programs --including lenders, schools and guarantors-- need similar relief from an environment where the rules and the requirements change on an annual basis. At FNC we are committed to the continuation of this partnership and hope that the refinements offered in this reauthorization will provide this necessary stability.

Mr. Chairman, this concludes my statement. I would be pleased to respond to any questions that you or other Members of the Subcommittee might have.

(105A695)

CBA REAUTHORIZATION PROPOSALS

The Consumer Bankers Association (CBA) believes that the reauthorization of the Higher Education Act should focus on the important social objectives of the program. In the last several years, rising education costs and inadequate growth in Pell Grant funding have led to increasing numbers of low-income students relying on student loans rather than grants to attend school. A failure to correct this trend will result in the further erosion of educational opportunity and lead directly to a decrease in access for students with the greatest economic need. The result will be a decline in America's ability to compete with other nations. Therefore, CBA endorses the efforts of Senator Pell (D-RI) and Representative Ford (D-MI) to increase grant assistance through vital expansion of the Pell Grant program.

The Guaranteed Student Loan programs represent a dramatically successful public - private partnership designed to achieve a valued social goal. In order to preserve and enhance that partnership, CBA has identified eight legislative priorities for the pending reauthorization of the Higher Education Act of 1965, as amended:

1. Simplified administration of the program through the use of modern data processing. CBA strongly endorses the elimination of unnecessary paperwork in the Guaranteed Student Loan programs. Record-keeping and loan administration practices in the student loan industry have fallen behind standards generally applicable to the consumer loan industry. Methods of record retention including microfilm, microfiche, laser disc, computer disc, and image optics should be utilized by the Department of Education to eliminate the storage of paper record-keeping beyond the loan application and the promissory note. Regulations issued by the Department of Education should accomplish the following:

- o simplify all aspects of the student loan process including application, disbursement and origination;
- o improve communication between lenders and guarantors by requiring the use of uniform reporting documents (this would also enhance borrower understanding of their loan obligation);
- o simplify fulfillment of institutional responsibilities under this part by institutions of higher education; and
- o improve the administration and oversight of the program by the U.S. Department of Education.

2. Simplification of borrower deferments. Under current law, eleven separate deferment categories allow borrowers to defer loan repayment. The proliferation of deferments has increased the complexity of program administration and has proven to be confusing to borrowers. Congressional intent in instituting deferments was to recognize the legitimate need for financial relief for borrowers in certain circumstances. CBA recommends the elimination of all deferment categories except the time periods during which a borrower is enrolled as a full-time student; and documented instances of economic hardship, such as unemployment or total disability. Lender use of forbearance allows all other borrower circumstances to be fairly and appropriately considered.

3. Due diligence procedures. Major lenders and servicers are in agreement that the due diligence regulations are too rigid and result in a higher priority being placed on maintaining compliance with the regulations than on loan collection. The Department of Education acknowledged the problems caused by the regulated standards currently in effect and recommended revisions to the thirty-day "bucket" system in the NPRM for the 1986 Higher Education Act Reauthorization in November, 1990.

It is CBA's view that the collection practices of a lender should be measured and taken into consideration when claims are approved or denied for payment. By establishing a tolerance rate for errors, lenders could concentrate on enhanced loan collection efforts rather than lock-step compliance with required letters and phone contacts which may or may not contribute to a borrowers repayment of the debt.

By imposing a percentage guideline for compliance, any lender who maintains a pre-determined performance rate standard (for example, 95 percent) on completion of mandatory due diligence steps would be assured full payment of insurance, interest and special allowance on loans made. This compliance would be monitored on a annual basis during the mandatory audit of a lender's portfolio. The audit would be paid for by the lender, monitored by the Department of Education, and performed by an independent third party auditor. Parameters of the audit, as defined by the Department, would follow standard accounting practices and would include a defined statistical sampling technique upon which a lender's performance would be measured. The performance measurement derived from the audit would be used by all guaranty agencies with whom the lender has participation agreements to determine how claims were to be paid. Lenders whose samples are found to be above the standard would be reviewed for proper monetary and technical data. Failure to maintain compliance at or above the defined standard would result in a full review of each file for the given time period and the assessment of prescribed penalties. Without the threat of

inordinate penalties for inconsequential regulatory violations, the lending community would attempt collection innovations which emphasize the true spirit, rather than the exact letter of the law.

4. Procedures for handling insolvency of a guaranty agency. CBA believes that the statute should require guaranty agencies to operate on a sound actuarial basis. Furthermore, the statute should define steps to be taken by the Secretary of Education in the event of a guaranty agency solvency. In light of the recent collapse of the Higher Education Assistance Foundation, interest in these proposals has increased among the Congress and the Administration. Therefore, CBA recommends that the Act should require the Secretary of Education to do the following:

1. Periodically re-evaluate the solvency of all guaranty agencies.

2. Identify agencies which fall below specified federal standards relating to reserve ratio and/or other indicators of administrative and financial viability and require such agencies to: (A) operate under a guarantee management plan approved by the Secretary, (B) if appropriate, overcome a short-term cash flow problem through the receipt of additional repayable advances, (C) merge their operations with a stronger agency, or (D) terminate their operations and assign responsibilities for outstanding guarantees to the Secretary. After consultation with lenders, it would be the Secretary's prerogative to transfer such guarantees to a solvent agency.

3. Require the Department to publish the results of an annual survey of guaranty agencies to facilitate lender evaluations of agencies.

5. Use of negotiated rulemaking procedures to promulgate Title IV regulations. A recent GAO briefing report verified that the Department of Education rarely complies with the statutory requirement that regulations be promulgated within 240 days of legislative enactment. The regulations necessitated by the passage of the 1986 reauthorization of the Higher Education Act are not yet finalized; the NPRM did not appear in the Federal Register until November, 1990. Given the significant liabilities imposed on lenders, secondary markets and guaranty agencies for failure to properly administer the GSL program, the issuance of clear and timely guidance about legislated program changes is imperative.

The complexity of the GSL program is such that the Department of Education and the higher education community stand to benefit from early and direct communication about these mandated regulations. Early consultation can serve to educate the community and sensitize the Department to potential problems

regarding implementation. For these reasons, CBA supports the use of regional meetings and negotiated rulemaking procedures in the development of regulations to govern the implementation of the reauthorization of the Higher Education Act, as was required, with certain modifications, in recent reauthorizations of the Elementary and Secondary Education Act and the Vocational and Adult Education Act. The use of negotiated rulemaking to promulgate regulations governing the implementation of Title IV should in no way be seen as a substitute for the useful and ongoing communication and issuance of Dear Colleagues which the Department presently undertakes with the higher education community.

6. Insurance to lenders. CBA believes that the requirement that guarantors offer 100 percent insurance to lenders as a condition for insurance program agreements with the Secretary is critical to maintaining open access to loans for all borrowers. The program already involves significant loss to lenders. Even with a 100 percent guarantee, lenders face significant losses because of strict due diligence penalties; and penalties resulting from retroactive regulatory changes that affect pre-existing loan agreements. Lender profitability has been reduced (GAO/HRD 90-130) and lender participation in the program has diminished as a direct result of this increased financial risk.

In the past, lender risk sharing has been put forth as a means of default reduction. There are preferable means of achieving this legitimate goal. CBA has proposed, for example, that lenders be given additional flexibility in fashioning collections procedures. It should also be noted that Congress has enacted numerous bills and amendments aimed at reducing GSL defaults. Remaining default reduction options such as stricter school cutoff rates or co-signer requirements will only serve to reduce access to loans for those potential borrowers most in need of financial assistance in order to pursue higher education.

7. Special Allowance. The special allowance paid to lender participants in the GSL programs is calculated by adding 3.25 percent to the 91-day treasury bill rate. The 1989 CBA Student Lending Survey found that the return earned by lenders in the GSL program was typically less than that earned on other consumer loan products. As the cost of funds and operational costs associated with the student loan business continue to increase, financial managers at lending institutions will revaluate their level of participation in the program. In order to maintain open access to loans for all eligible borrowers, the current special allowance calculation should be preserved. Additionally, if Congress determines that high-risk borrowers should continue to have access to GSLs, enactment of a higher special allowance to increase the return to lenders on loans made to such student borrowers should be considered.

8. Loans for middle-income students currently ineligible for guaranteed student loans. Students determined to be ineligible to borrow under congressional methodology remain eligible for unsubsidized Guaranteed Student loans. Because these loans are unsubsidized and offered at 8 percent, they are made by very few lenders. The Supplemental Loans for Students program (SLS) makes unsubsidized, guaranteed loans available to independent students and, in special circumstances, dependent borrowers, but many middle income students who need financial aid remain unserved.

CBA endorses a proposal put forth by NCHELP to expand loan access to guaranteed but unsubsidized loans to all eligible students. Under the NCHELP plan, only those students showing financial need would continue to be entitled to in-school interest benefits through subsidized Stafford loans. Unsubsidized loans would be available to those not qualifying for full subsidized Stafford loans. Interest on the unsubsidized loans that accrues during in-school, grace, and deferment periods would be paid either quarterly or capitalized, as agreed upon by the lender and the borrowers. Borrowers would pay a 5 percent reinsurance premium to offset the costs associated with defaults. The NCHELP proposal does not contain a specific proposal for an interest rate on unsubsidized loans. It is assumed that a rate would be set to eliminate any special allowance in all but extraordinary circumstances.

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Mr. GAYDOS. Without objection, all of the prepared statements will be made part of the record.

At this time, I would like to call on Mr. Goodling.

Mr. GOODLING. Thank you, Mr. Chairman.

I would like to say to Ms. Griswold, I leaned over to Tom because I thought I remembered that we had done something about Pell grants being reinstated for fewer than a certain number of hours. He reminded me that we did, but the Appropriations Committee has never funded it.

Today, I was going to—first of all I would like to see that model, that front-loaded model. I was going to ask you—every place I go, everybody speaks highly of PHEAA and I was going to say why is that true. And Mr. Koopman reminded me of one of the other failures of last year. I guess I was also going to say "and I will not hear anything about that, will I?" from the Secretary this year in relationship to Pennsylvania.

If you had to put your finger on why we have been so successful, what would it be?

Mr. EVANS. Mr. Goodling, I think I would preface that by saying July will be my 25th year with PHEAA, the staff at PHEAA for many years, the top staff, has been instrumental in making it very, very clear that we run the program like a business. We provide service and some of the tools that our General Assembly has given us in all of our programs, such as the garnishment laws that we have in Pennsylvania, have tremendously helped us in putting PHEAA up front in our guaranteed student loan business.

Mr. GOODLING. I was going to ask Ms. Griswold and John, who have to deal with it all the time, whether the Secretary of Education has called people such as you to Washington to discuss anything new that we put forth or any recommendations that they are coming up with or any of their regulations. And I know Jay in his testimony suggested that the Secretary should be forced to do that kind of thing. Is it not general that when there are new regulations, that you are invited down for an education process on the new regulations?

Ms. GRISWOLD. I am aware of opportunities to certainly respond to notices of proposed rulemaking and I think the aid community has come out strong and in concert on a number of issues that we feel would enhance and streamline and make more meaningful as we interact with students and all the parties, from our perspective, in the Stafford loan structure, that we feel would better serve everyone involved. I do not know that I can cite off the top of my head specific instances in which we have in fact seen the realization of some of those streamlining types of improvements that we would like to see. One that does come to mind that we have yet to see is a common application being used throughout the Nation for students who apply for Stafford loans, which would reduce the need within our shops to have to account for various methods of completing applications and training staff on a variety of different types of forms in order to certify student loan applications.

Mr. GOODLING. Mr. Rebert here, I hired 26 or 27 years ago as a guidance counselor and he was very quiet and soft-spoken and then he went to the Department of Education in Harrisburg and now he is pretty mean when he testifies—forceful.

Mr. REBERT. Right now it is easier to go to work than to try to explain it to someone else.

Mr. GOODLING. Thank you very much.

Mr. GAYDOS. Mr. Petri.

Mr. PETRI. No questions, thank you for your testimony.

Mr. GAYDOS. Mr. Gunderson.

Mr. GUNDERSON. The only comment I have on the testimony is to give you a dose of the reality that we all face. I think everybody here is your friends and as I listen to your comments and testimony requesting more flexibility and requesting more funds, you should know that we all thought there was going to be a lot more funds for Function 500 in education this year and the appropriators decided to cut $1.2 billion out of what we thought had been targeted in that direction for the budget, which means that we now have to significantly draw back the amount of money, whether it be in the Elementary-Secondary or in the Higher Education programs, it limits our resources.

In terms of flexibility, we all understand your desire for flexibility. We want to introduce you to two people. One is called the Inspector General and the other is called the General Accounting Agency, and these two agencies have seen it as their function in life to frankly question the operation of, legitimately, every Federal program within their jurisdiction. And as a result, whether it be this Department or this Congress or this committee, we are forced, in order to maintain credibility, to have many more rules and regulations and elements of accountability than you would like, than we would like, but it seems to be the rules under which we live and exist, so I just wanted to share with you, we are sensitive, we hear you. If we do not do everything you want, it is not because we did not hear you.

Thank you.

Mr. GAYDOS. I want to thank the panel and the other panels also on behalf of the committee. I think all of us conclude as a result of these hearings that it is a very complex subject. We have tried many things throughout the years, many things this committee has no control over, as has been suggested by Mr. Gunderson.

However, this is one of 40 meetings and maybe we will probably have another 10 if I may surmise correctly because of last minute requests are always honored. So the committee has its work cut out and I believe that those that are here today can attest to the fact that we make every attempt as a very major committee in Washington, DC on the hill to hopefully encourage participation by the residents and the citizens of this country. It is imperative that we do so. There is a lot of misconception floating around the country that Congress does what they want to do with no inhibitions nor any control, and that is fundamentally not correct. There is a sensitivity of the committee to what the public thinks, the institutions that are involved, the higher education institutions, and individuals, the taxpayers.

So I think you have helped the committee tremendously and if we can again maybe in the future depend upon your expertise and your knowledge, you may find some interrogatories directed your way and we would appreciate accurate and hopefully timely re-

sponses from you because that would be most beneficial to the committee.

With that, do any other members of the committee have anything to say at this time?

Mr. GOODLING. Just to thank Ron for the positive comments he made and to John who said that basically the structure is sound and it needs some—if I can paraphrase what you said—some fine-tuning.

Mr. GAYDOS. With those well-chosen remarks, thank you for your appearance and we hope to see you again in the near future. The meeting stands adjourned.

[Whereupon, at 12:54 p.m., the subcommittee was adjourned.]

[Additional material submitted for the record follows.]

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June 27, 1991

The Honorable William D. Ford
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Ford:

I had the privilege of attending a field hearing on our campus earlier this month conducted by the Subcommittee on Postsecondary Education. Bill Goodling, our Congressman, is well aware of the need for better counseling in Pennsylvania, a state which has a lower college attendance rate than any of its neighbors. Although I did not have an opportunity to testify, I would like to submit the following for the record as you and your colleagues on the Subcommittee continue the process of gathering information prior to finalizing language on reauthorization of the Higher Education Act.

We all wear a variety of hats. As a father, an admission officer, and a former president of the Pennsylvania and National Association of College Admission Counselors (NACAC), I have been a facilitator in the process of transition from high school to college for 24 years. In many ways, I am convinced that I see students too late in the process to make a real difference in their higher education patterns. Students I see in their junior or senior year are already committed to seeking higher education; choosing among 3535 colleges and universities is their task. It is the school counselor who often is in a position to make students in the middle school years aware of the many possibilities that lie ahead. It is in these years that students have to decide the direction their lives will take immediately after high school -- college, military, job, marriage and child rearing. Of course, such a statement assumes graduation; the drop-out problem is yet another we face.

Earlier intervention is key to all of this. Several years ago NACAC printed and distributed over one million copies of its "Guide for Parents" aimed at parents of middle schoolers who themselves did not go to college. Then NACAC produced PACT (Parents and Counselors Together), a program designed to assist middle school counselors in working with such parents, ultimately empowering them to motivate their children to seek the highest level of education of which they are capable.

This year, NACAC is supporting House Bill 1524 which would further empower guidance counselors and others through early intervention. As you well know, today's counselor in school is asked to do many things and consequently is unable to do all of them well. It has been my experience that school counselors have the least training in pre-college guidance. SCAN (Student

Counseling and Assistant Network) would provide counselors with the training about financial aid so crucial to communicating the possibility of higher education, especially to children whose families have been traditionally underrepresented. It also would provide a database about financial aid, a public awareness program regarding the availability of financial aid, and identify model programs designed especially for at-risk students in urban and rural areas as well as those from a variety of cultural backgrounds.

You have a strong history of dedication to issues of education. All of us who labor in the field recognize that the decade of the nineties will not likely be a time of more real dollars. We need to do well with the resources available to us. It is my hope that there is still room for creative new programming such as SCAN which will yield maximum utility from the dollars expended in assisting students and their families to make informed decisions.

Best of wishes to you in the vital work you do on behalf of students across the nation.

Sincerely yours,

R. Russell Shunk
Associate Dean of Admissions

RRS/lll

cc: William F. Goodling

46-406 (208)